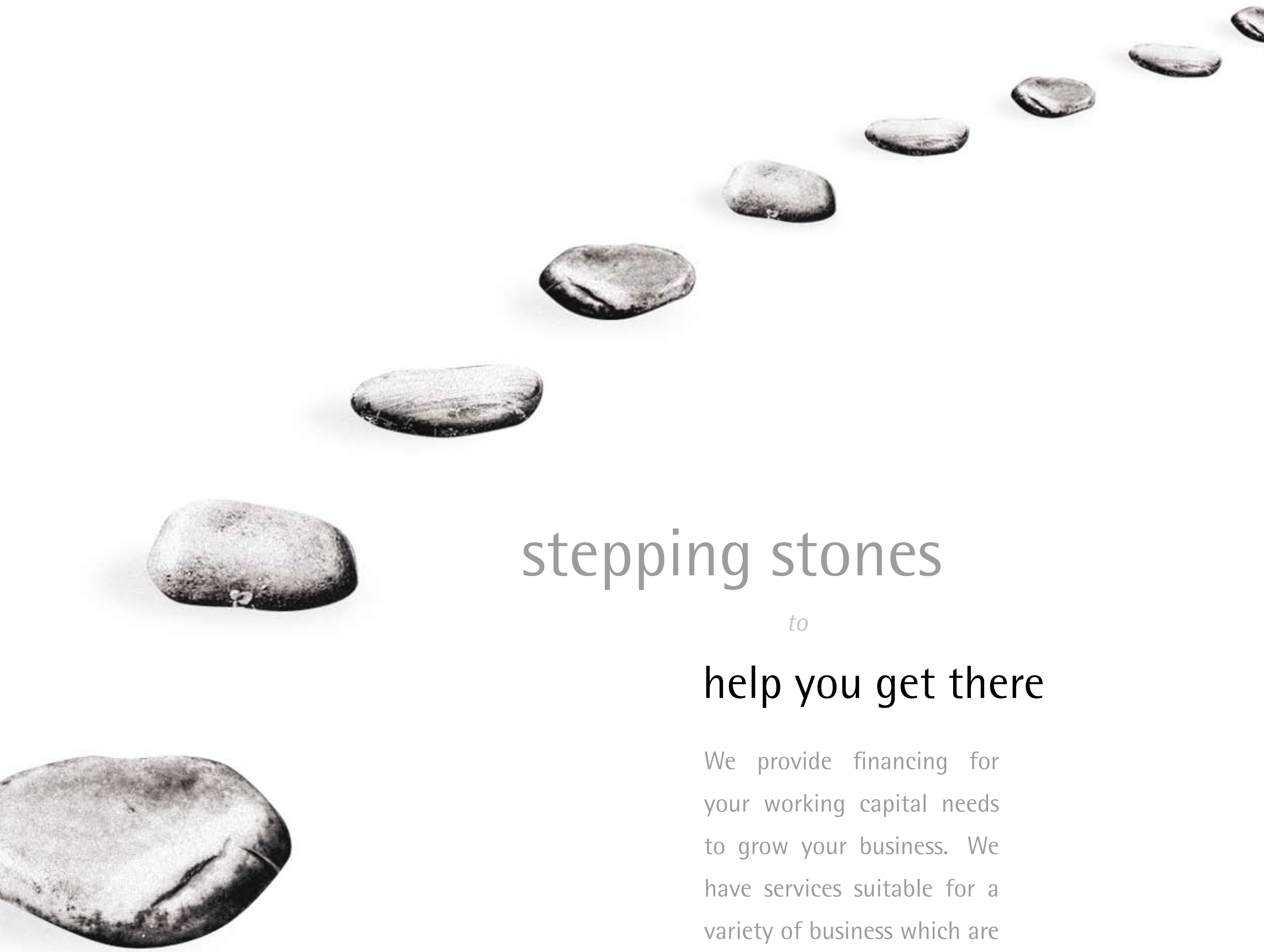
building blocks

for

a better future

ifs capital limited

annual report 2006



stepping stones

to

help you get there

We provide financing for your working capital needs to grow your business. We have services suitable for a variety of business which are available to both startups and established companies

table of contents

ifs capital limited

is an established financial institution involved in commercial and structured finance, private equity investments as well as credit insurance and guarantees. Incorporated in Singapore in 1987, the company was listed on the mainboard of the Singapore Exchange in July 1993. IFS also has operations in Malaysia, Indonesia and Thailand.

mission statement

to be an *innovative* regional financial solutions provider for our clients, committed to service excellence and creating value for shareholders, management and staff

financial highlights

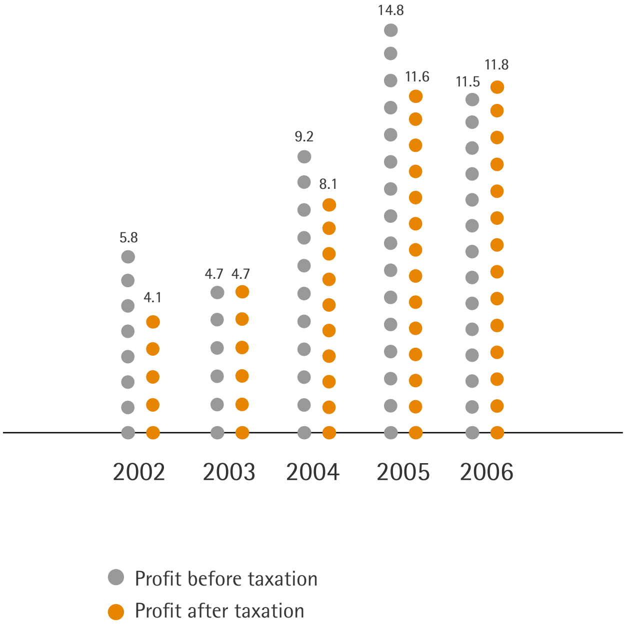
group financial highlights

S$'000	2006	2005	2004	2003	2002
Profit & Loss Statement					
Gross operating income	41,491	39,964	33,492	22,874	22,678
Profit					
- before tax	11,473	14,780	9,194	4,661	5,784
- after tax	11,827	11,588	8,107	4,677	4,057
Balance Sheet					
Issued share capital	77,675	51,649	51,649	51,491	51,491
Shareholders' funds	115,907	107,591	95,788	88,266	84,241
Total assets	459,444	554,760	447,177	381,961	347,068
Total liabilities	343,537	447,169	351,389	293,695	262,827
Dividend Information					
Dividends declared/proposed for the year (net of tax)	14,851	4,140	2,892	1,030	803
Financial Ratios					
Earnings per share after tax (cents)	11.43	11.22	7.87	4.54	3.94
Return on average shareholders' funds (%)	10.58	11.40	8.81	5.42	4.92
Net tangible assets per share ($)	1.12	1.04	0.95	0.90	0.81
Gross dividends declared per share *					
- Ordinary (cents)	5.00	5.00	3.50	1.25	1.00
- Bonus (cents)	12.50	-	-	-	-
Dividend cover (number of times) *	0.66	2.32	3.07	1.49	4.18

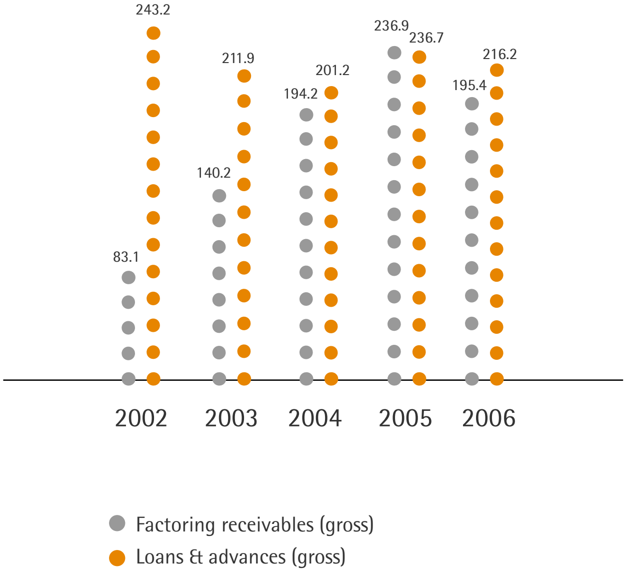
Note: * Gross dividends per share and dividend cover are stated based on the dividends declared/proposed in relation to the respective financial years.
Certain comparatives in the financial statements have been changed from the previous year to conform with current year's presentation.

performance at a glance

Profit & Loss
(S$ million)

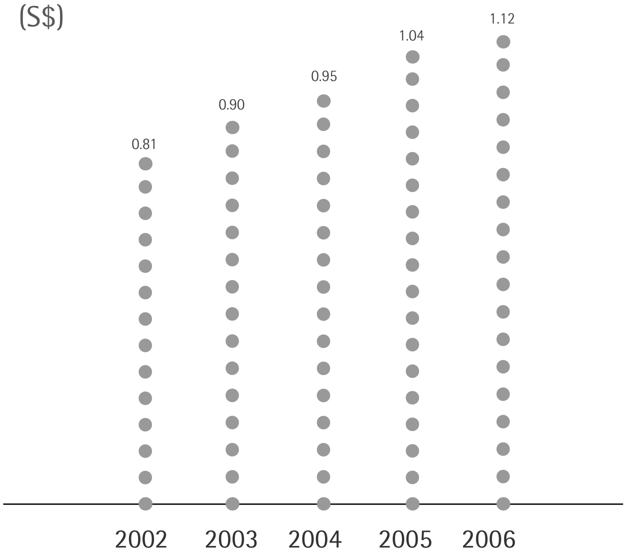


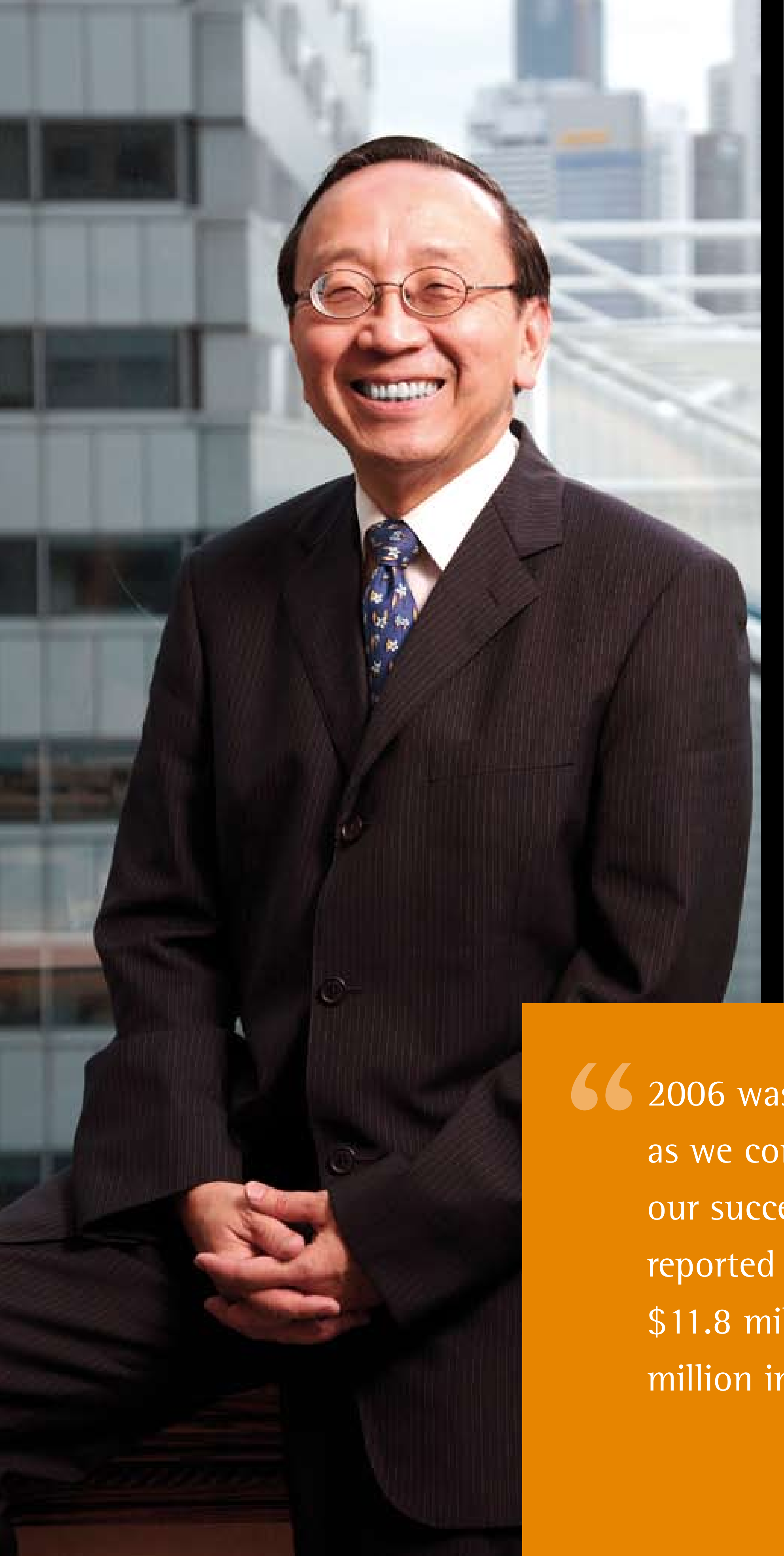
Factoring Receivables and Loans & Advances
(S$ million)



Shareholders' Funds (S$ million)
Return on Average Shareholders' Funds (%)

Net Tangible Assets per Share
(S$)





chairman's statement

“2006 was another good year as we continued to build upon our success in 2005. The Group reported an after-tax profit of $11.8 million up from $11.6 million in 2005.”

This year we celebrate our 20th anniversary since we started operations as a factoring company. Much has changed then and a retrospective reflection shows the growth we have achieved since then.

We now operate six distinct business units, Commercial Finance, Structured Finance, ECICS and the three regional companies under our fold. Structured Finance and ECICS are entirely new businesses. Changes in the Commercial Finance side have been in response to market and clients' evolving needs. Our regional companies in Thailand, Malaysia and Indonesia, have undergone organisational changes, for example we now have management control or significant influence over the policies and strategies of these companies.

From a single product company we now provide capital in the true sense of its meaning. We can provide the full spectrum of capital, from equity, mezzanine, working capital, trade finance and other debt capital to tailor to our clients' needs. Last year we changed our name from International Factors (Singapore) Ltd to IFS Capital Limited. The name change is appropriate.

Review of 2006 Performance

2006 was another good year as we continued to build upon our success in 2005. The Group reported an after-tax profit of $11.8 million up from $11.6 million in 2005.

The Group's profit before tax of $11.5 million was a decrease of 22.4% from the previous year. This was due to a few factors including early redemption of some key accounts, higher funding costs and non-recurring business expenses due to the re-branding exercise and lower contributions from our insurance subsidiary, ECICS.

I had mentioned the early redemptions of several loan accounts. Our commercial loan assets as at year end was $411.6 million versus $473.6 million the previous year. Despite the decrease in loan assets during the year, our gross interest income increased by 13.8% to $24.5 million. Including fees and commission income, our total gross interest and fee income from our commercial activities rose by 10.3% to $30.4 million. This shows that the yield on our assets has increased as we continued to shed marginal accounts and focused on the higher yield accounts. However higher interest costs during the year eroded this increase.

Net premium earned by our insurance subsidiary was lower at $4.8 million compared to $5.5 million a year ago due partly to lowered insured volume for bond and guarantee businesses as well as a refund in premium due to a reduction of quantum of Qualifying Certificate bond requirement by the Singapore Land Authority from 50% to 10% of the land cost.

Our structured finance unit continued to perform well and closed two syndications and five mezzanine financing deals.

Contributions from associates increased mainly due to higher profits achieved by our Thai associate as well as write back of deferred tax liabilities no longer required for the associated company.

The Group's operating costs increased 4.8% to $14.4 million in 2006. This was due to several factors - the initial set-up costs of our subsidiary in Malaysia as well as restructuring and quasi re-organisation costs of our Indonesian subsidiary. Higher business related expense was also incurred due to fund management related expenses, advertising and promotional expenses as well as costs incurred due to the re-branding exercise. These increased costs were largely non-recurring.

The Group's tax position was a net write back of $354,000 in 2006 resulting primarily from a tax refund and write back of overprovision of prior years' tax amounting to $3.2 million.

Performance Benchmarking

The Group's earnings per share rose to 11.4 cents versus 11.2 cents the previous year. Net asset value per share for the Group stood at $1.12 at the end of 2006 as compared to $1.04 the previous year.

For the second successive year, we achieved a double-digit return on equity (after tax) of 10.6%. This is however lower than the previous year of 11.4% due to a higher equity base. Our cost-to-income ratio increased from 37.5% in 2005 to 46.3% in 2006.

While the above indicators have deteriorated, they are nonetheless still healthy as compared to our peers.

Regional Operations

In Thailand, IFS Capital (Thailand) Limited (formerly known as Ayudhya International Factors Co., Ltd) had another good year with net profits after tax of Baht45.7 million (equivalent to approximately S$2.0 million). Factoring volumes reached another historical high of Baht11.76 billion. We have announced the appointment of an IPO Manager to advise us on the listing of the company on the Stock Exchange of Thailand.

In Indonesia, our subsidiary has commenced full operations and we look towards their maiden contribution this year. We have also re-started our Malaysian operations with the incorporation and set up of IFS Capital (Malaysia) Sdn. Bhd.

Our regional companies give us an opportunity to capitalise on cross border flows. With more Singapore companies going abroad our regional footprint gives us an edge in offering a full spectrum of financing products.

Other than the surrounding countries, we will continue to look at other markets as and when opportunities arise.

Proposed Dividends and Rights Issue

At our AGM last year, some minority shareholders requested the Company to consider passing on its Section 44A tax credits to shareholders, in particular individual shareholders who have a lower personal tax bracket. Having considered various options and the Group's requirements, the Board is pleased to recommend a proposed cash dividend comprising an ordinary dividend of 5 cents less tax of 18% and a bonus dividend of 12.5 cents less tax of 18% for each ordinary share.

The Company has also announced a proposed renounceable non-underwritten rights issue on the basis of one Rights Share for every five ordinary share at an issue price of 51 cents.

The purpose of the ordinary and the bonus dividend is to reward shareholders with a cash dividend and pass on the Company's Section 44A tax credits to shareholders. The proposed dividend payouts and the rights issue have been recommended as the best option to reward and balance the requirements of various stakeholders.

The Road Ahead

Singapore remains competitive with the entry of several banks into the SME sector. I am glad that we have taken efforts to diversify by building our regional operations. Further growth will come from our overseas subsidiaries and affiliates.

In Thailand, we are the largest independent factoring house and business volumes are expected to grow significantly. Our planned listing will enable us to grow over the next few years as a significant player in Thailand.

Malaysia and Indonesia have started operations and we expect stronger contributions from them in 2007.

Last year, I mentioned that we were looking to take advantage of our international links through the International Factors Group ("IFG") to capture more international flows. We have commenced discussions with the IFG to consider extending our import and cross border businesses into countries where we do not have a physical presence. These will predominantly be in Asia. We hope to conclude discussions with IFG and our counterparts in other countries. This presents an exciting opportunity for us to extend our reach.

ECICS continues to be a leading underwriter in credit insurance and surety business. Reciprocal arrangements with overseas export credit agencies are expected to be finalised to extend our reach of geographical markets covered.

Management and Staff

Last year we recruited several key management staff to manage our various businesses. We welcome Mr Samuel Fong as the new CEO of ECICS Limited, Mr Dani Firmansjah as our CEO for Indonesia and Ms Katrina Binti Ab Rahman as our General Manager for our Malaysian operations.

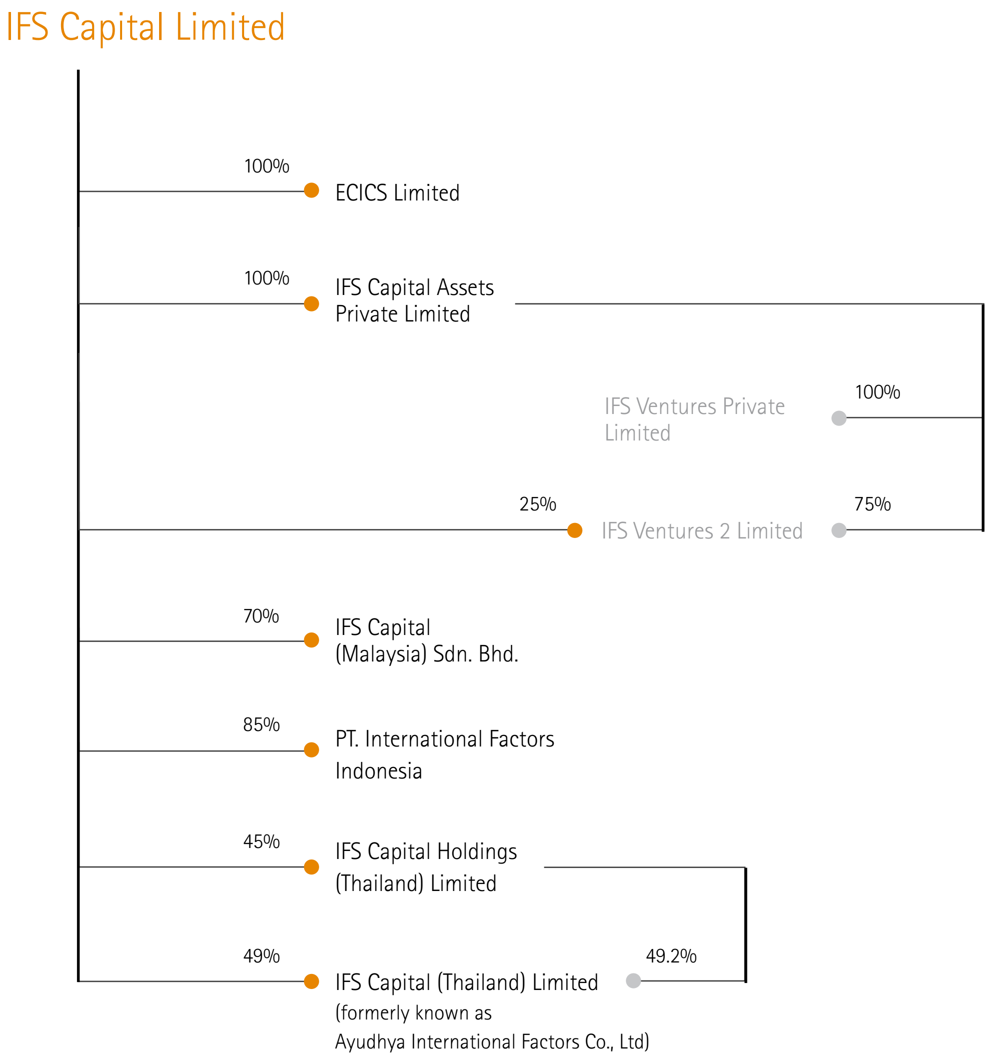
Mr Kwah Thiam Hock has retired as a full time executive director and CEO of ECICS. However, he will remain as a non-executive director on both IFS and ECICS boards where we will continue to prevail upon his wisdom and guidance. On behalf of the Board and management I would like to thank him for his invaluable guidance and support over the last 20 years.

Talent management is key in managing a diverse Group and I welcome the new staff on board and express my gratitude to our existing staff who have helped us to build IFS. We have invested heavily in staff resources in the last few years and will continue to do so. This becomes more important in the light of Singapore's strong recovery. We now find ourselves competing not just on the business front but for staff as well. Retention and talent management is thus key for our continued success.

On behalf of the Board and management I would like to thank once again all staff, clients and associates who have helped to build up IFS.

Lim Hua Min
Chairman
28 February 2007

corporate structure



Note: The above corporate structure excludes dormant and inactive subsidiaries and associated companies.

corporate information

Board of Directors
Lim Hua Min
Chairman
Gabriel Teo Chen Thye
Lim How Teck
Manu Bhaskaran
Kwah Thiam Hock
Lee Soon Kie
Executive Director and Chief Executive Officer

Audit Committee
Gabriel Teo Chen Thye
Chairman
Lim How Teck
Manu Bhaskaran (Appointed on 2 May 2006)

Executive Resource and Compensation Committee
Lim How Teck
Chairman
Lim Hua Min
Gabriel Teo Chen Thye

Management Committee
Lee Soon Kie
Chairman
Wong Chin Kheng
Lim Mui Ling
Ong Peng
Chionh Yi Chian
Teoh Chun Mooi
Ong Geok Yeow

Credit Committee
Lee Soon Kie
Chairman
Wong Chin Kheng
Ong Peng
Teoh Chun Mooi
Chionh Yi Chian
(Alternate: Ee Sin Soo)

Registered Office
7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel: 6270 7711
Fax: 6339 9527
Website: www.ifscapital.com.sg
Email: IFS_Corporate@ifscapital.com.sg

Registrars
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

Company Secretary
Chionh Yi Chian

Auditors
KPMG
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-In-Charge
Gerald Low Gin Cheng
(since FY2005)

board of directors

Lim Hua Min

Lim Hua Min

Chairman

Lim Hua Min was appointed Chairman of IFS Capital Limited ("IFS") on 20 May 2003. Mr Lim is concurrently the Executive Chairman of the PhillipCapital Group of Companies. He began his career holding senior positions in the Stock Exchange of Singapore ("SES") and the Securities Research Institute. He has served on a number of committees and sub-committees of SES. In 1997, he was appointed Chairman of SES Review Committee, which was responsible for devising a conceptual framework to make Singapore's capital markets more globalised, competitive and robust. For this service, he was awarded the Public Service Medal in 1999 by the Singapore Government. Currently, he serves as a board member in the Inland Revenue Authority of Singapore.

Mr Lim holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey and obtained a Master's Degree in Operations Research and Management Studies from Imperial College, London University.

Lee Soon Kie **Kwah Thiam Hock**

Lee Soon Kie

Executive Director

Lee Soon Kie is the Chief Executive Officer of IFS. As CEO, Mr Lee is responsible for the overall management of the Group. Prior to IFS, he was a senior executive of the PhillipCapital Group of Companies where he was in charge of institutional business involving mergers and acquisitions and debt capital markets business. Before PhillipCapital, Mr Lee held various senior appointments with an international investment banking group – Schroders.

Mr Lee holds a Bachelor of Arts Degree from the National University of Singapore in Economics and Sociology and a Master of Science Degree in Computer Science (Distinction) from the University of Wales, Aberystwyth.

Kwah Thiam Hock

Director

Kwah Thiam Hock was an Executive Director of IFS and Chief Executive Officer/Principal Officer of IFS' wholly-owned subsidiary, ECICS Limited from June 2003 to December 2006. Mr Kwah retired as Executive Director of IFS and ECICS but remains as Non-Executive Director of both IFS and ECICS. He is currently an Independent Director of Wilmar International Limited and Select Catering Services Limited. He is also a member of Singapore Turf Club Management Committee and member of the Audit Committee of Singapore Totalisation Board.

Mr Kwah is a Fellow Member of the Australian Society of Accountants and also a Fellow Member of the Institute of Certified Public Accountants of Singapore and a Fellow Member of the Association of Chartered Certified Accountants (UK).

Manu Bhaskaran

Director

Manu Bhaskaran is Partner and Head Economic Research at the Centennial Group, a Washington DC-based strategic advisory group. Mr Manu Bhaskaran was first appointed as a Director of IFS in June 2002. He resigned on 20 May 2003 and was re-appointed as a Director on 26 February 2004. He was appointed as Chairman of EH Group Ltd., which was then a substantial shareholder of IFS on 22 December 2003 and also serves on the boards of Silk Air, the Centennial Group, Surbana Corporation and CIMB-GK Pte Ltd. In addition, he is Vice-President of the Economics Society of Singapore and General Secretary of the Singapore Institute of International Affairs.

Mr Manu Bhaskaran is an adjunct senior research fellow at the Institute of Policy Studies. He was formerly Managing Director and Chief Economist of SG Securities Asia Ltd.

Manu Bhaskaran **Gabriel Teo Chen Thye**

Lim How Teck

Gabriel Teo Chen Thye

Director

Gabriel Teo has been a Director of IFS since November 1999. Mr Teo runs his own consultancy firm, Gabriel Teo & Associates. Prior to starting his own practice, he spent more than 20 years in the banking industry in the region, holding senior appointments with global institutions. He was Head of Corporate Banking at Citibank, Chief Executive Officer of Chase Manhattan Bank and Regional Managing Director of Bankers Trust. Currently, he also serves on the boards of several other corporates as well as non-profit organisations.

Mr Teo holds a Bachelor of Business Administration degree from the National University of Singapore and an MBA in Finance from Cranfield School of Management. He has also attended the Executive Program in Management at Columbia Business School.

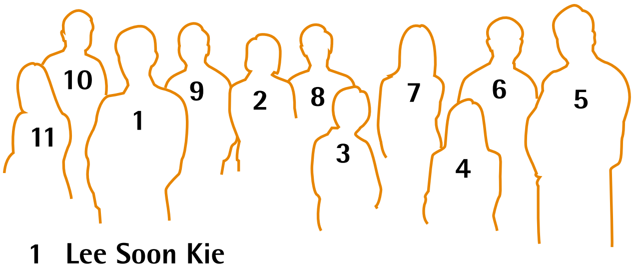
Lim How Teck

Director

Lim How Teck was appointed a Director of IFS in June 2000. Mr Lim had been with the NOL Group of Companies since 1979, retiring as Executive Director and Group Chief Financial Officer of NOL in June 2005. He is currently Chairman of Redwood International Pte Ltd, a consultancy and investment company. He is also Chairman of Tuas Power Ltd, Singapore Commodity Exchange and a director of several other organisations.

Mr Lim was awarded the Public Service Medal (Pingat Bakti Masyarakat) National Day Award in 1999, the Service Education Medal (Ministry of Education) in 2000 and 2002 and The Good Service Medal (Singapore Civil Defence Force) in 1996.

management team



1 **Lee Soon Kie**
Group Chief Executive Officer

2 **Teoh Chun Mooi**
General Manager, Operations

3 **Lim Mui Ling**
Group Chief Financial Officer,
Finance/Human Resources & Administration

4 **Serene Lim Gek Luang**
Assistant General Manager, Business Development

5 **Tan Ley Yen**
Chief Executive Officer, IFS Capital (Thailand) Limited

6 **Ong Peng**
General Manager, Credit Risk Management

7 **Chionh Yi Chian**
General Manager, Legal & Secretariat/Compliance

8 **Wong Chin Kheng**
Group General Manager,
Business Development & Overseas Operations

9 **Ong Geok Yeow**
General Manager, Structured Finance

10 **Samuel Fong Ngan Seng**
Chief Executive Officer, ECICS Limited

11 **Zenia Tay Lay Bee**
Chief Operating Officer, ECICS Limited

management team

LEE SOON KIE

Group Chief Executive Officer

WONG CHIN KHENG

Group General Manager
Business Development & Overseas Operations

Mr Wong was appointed Group General Manager in January 2007 and is responsible for business development and overseas operations. Mr Wong was appointed as a Director of IFG in October 2005, a world wide factoring association based in Brussels. He was also appointed as a Commissioner of PT. International Factors Indonesia in November 2005. Prior to joining the Group in May 1995, he held appointments in the Bank of Montreal, Royal Trust Merchant Bank Ltd and Hong Leong Finance Ltd. Mr Wong holds a Bachelor of Social Science (Honours) degree from the University of Singapore.

LIM MUI LING

Group Chief Financial Officer
Finance/Human Resources & Administration

Ms Lim was appointed Group Chief Financial Officer in January 2007 and is responsible for finance, human resources and administrative functions. She joined the Group in May 1988 and was Head of Finance/ Accounting. Before joining the Group, Ms Lim was an auditor in an international accounting firm for over 5 years. Ms Lim holds a Bachelor of Accountancy from the National University of Singapore. She is also a Member of the Institute of Certified Public Accountants of Singapore.

TEOH CHUN MOOI

General Manager
Operations

Ms Teoh was appointed General Manager in August 2005 overseeing the factoring and loans operations. Prior to this, she was heading one of the Business Development teams. She has been with the Group since 1989. Ms Teoh holds a Bachelor of Business Administration (Honours) from the University of Windsor (Canada).

CHIONH YI CHIAN

General Manager
Legal & Secretariat/Compliance

Ms Chionh was appointed General Manager in June 2004 and is responsible for legal, secretariat and group compliance matters. She has been with the Group since 1995 and prior to this, practised law in Singapore. Ms Chionh holds a Master's degree in Law from the National University of Singapore as well as a Bachelor of Laws (Honours) from the National University of Singapore. She is also a CFA charterholder.

ONG PENG

General Manager
Credit Risk Management

Mr Ong was appointed General Manager in June 2004 and is responsible for credit risk management ("CRM"). He joined IFS in March 2004 and set up the CRM unit. Prior to joining the Group, he held various senior level appointments in Standard Chartered Bank from 1974 to 2002. Mr Ong holds a Bachelor of Business Administration from the University of Singapore.

ONG GEOK YEOW

General Manager
Structured Finance

Mr Ong was appointed General Manger in January 2006 and is responsible for the Structured Finance unit. He was also appointed as a Director of IFS Capital Assets Private Limited in March 2006. He joined IFS in June 2004 and has more than 14 years of professional experience in private equity, venture capital and corporate finance. Mr Ong holds a Master of Science degree in Financial Engineering and a Bachelor in Business Administration (Honours) from the National University of Singapore. He is also a CFA charterholder.

SERENE LIM GEK LUANG

Assistant General Manager
Business Development

Ms Lim was appointed Assistant General Manager overseeing the Business Development functions. She joined IFS in March 2005 heading one of the Business Development teams. She has more than 20 years of working experience in the banking and financial industry in the areas of credit and marketing of factoring, leasing, hire purchase and mortgage loans. Ms Lim holds a Bachelor of Commerce from the Nanyang University.

SAMUEL FONG NGAN SENG

Chief Executive Officer
ECICS Limited

Mr Fong joined ECICS Limited in December 2006 as Chief Executive Officer. He has close to 20 years of experience in international trade banking, structured finance, capital markets, credit enhancements and trade credit, financial and political risk insurance. Prior to joining ECICS, he had held appointments in Marsh & McLennan, QBE Insurance International, Koch Industries, American International Group, DBS Bank and United Overseas Bank. Mr Fong holds a Master of Applied Finance degree from the Macquarie University, Australia and a Bachelor in Business Administration from the National University of Singapore.

ZENIA TAY LAY BEE

Chief Operating Officer
ECICS Limited

Ms Tay joined ECICS Limited in January 2007 as Chief Operating Officer. Before joining ECICS, she has worked with Marsh (Singapore) Pte Ltd, Mitsui Sumitomo Insurance (Singapore) Pte Ltd and ACE Insurance Limited, overseeing the finance, administrative, IT and investment activities. She was also an auditor in an international accounting firm. Ms Tay holds a Bachelor of Accountancy from the National University of Singapore. She is also a Member of the Institute of Certified Public Accountants of Singapore and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

TAN LEY YEN

Chief Executive Officer
IFS Capital (Thailand) Limited

Mr Tan was appointed Chief Executive Officer in February 2007 of IFS Capital (Thailand) Limited. He was seconded to the company as General Manager in May 1991 and was appointed Executive Director in October 2000. He has been with the Group since August 1985 and was seconded to PB International Factors Sdn Bhd as its General Manager in September 1990. Prior to joining the Group, he was with a local bank for several years. Mr Tan holds a MBA in International Management with the University of London and a Bachelor of Science (Honours) degree in Management Sciences from the University of Manchester Institute of Science and Technology.

DANI FIRMANSJAH *(not in photo)*

Chief Executive Officer
PT. International Factors Indonesia

Mr Firmansjah joined PT. International Factors Indonesia in August 2006 as Chief Executive Officer. He has more than 23 years of experience in financial industry in Indonesia, primarily in the area of leasing & factoring business. Prior to joining the company, he had held appointments in PT Saseka Gelora Finance and PT BFI Finance Indonesia Tbk. He was appointed Secretary General of the Indonesian Financial Services Association in 2004 and Secretary General of the Asian Leasing & Finance Association in 2006, all based in Jakarta. Mr Firmansjah holds a Master in Management degree from the Asian Institute of Management, Manila, the Philippines, and he was recognized as one of the Outstanding Alumni in 2005.

KATRINA BINTI AB RAHMAN *(not in photo)*

General Manager
IFS Capital (Malaysia) Sdn. Bhd.

Ms Katrina joined IFS Capital (Malaysia) Sdn. Bhd. in August 2006 as General Manager to set up our new operations in Kuala Lumpur, and is responsible for the running and overall management of the subsidiary. Prior to this, she was working in the banking and financial institutions, and had vast experience in area of credit and business development. For the last 10 years, she served as the General Manager of Affin Factors Sdn Bhd, a subsidiary of Affin Bank Berhad. She holds a Bachelor of Business Administration from the Eastern Michigan University, USA.

regional economic assessments

Prepared by **Manu Bhaskaran**
Partner/Head, Economic Research
Centennial Group

Overview

In 2006, Southeast Asian economies enjoyed one of their best years for economic growth since the Asian financial crisis. The year was marked by sturdy growth, price stability, strong external surpluses and appreciating currencies – a performance made all the more remarkable given the surge in oil prices, political disturbances in the Middle East and occasional domestic political shocks in some regional countries that rattled investor confidence. In essence, the region's continued export competitiveness ensured it benefited from the robustness of the global economy, one in which economic vitality was more broadly spread – the rich nations as well as developing Asian economies such as China and India all delivered high growth.

GDP growth across the region picked up momentum from 2005, with the first half of 2006 showing particular strength. However, some of the momentum was lost in the second half following the deceleration in demand for information technology goods that are a key part of the region's exports. While the global economy seems likely to deliver reasonable growth for 2007-08, some risk factors are emerging that could hurt external demand for the region's exports.

- First, the lead indicators in the rich countries have signalled at least a short period of weakness in early 2007.

- Second, the risk that oil prices might surge again remains a key concern.

- Third, the previous two years have seen a massive flow of capital into emerging markets, especially in Asia – one that has caused the price of risky assets to fall sharply. It is possible that geo-political or financial accidents spark off a re-pricing of risk that precipitates a large outflow of capital from the region. If this outflow is highly disruptive and forces up interest rates and weakens currencies, it might trigger a slowdown in the region.

Although there are some concerns over the sustainability of external demand due to signs of a slowdown in the OECD economies, the region appears geared up to continue to deliver strong growth in 2007. There are a number of reasons for this.

- First, so long as China and India continue to boom, they will help boost intra-regional trade, thus acting as a buffer against OECD demand weakness.

- It is also likely that any economic deceleration in Japan economy will be short-lived: we see the structural recovery as long-lasting and likely to weather a mild slowdown in the US economy. Increased Japanese demand for the region's exports, rising Japanese investment in it, stronger Japanese bank lending, more Japanese tourists and greater Japanese corporate activity in the region will all help to boost the regional economies.

- Domestic demand is likely to be a stronger driver of economic activity in 2007. One important reason for this is the likely surge in infrastructure spending. Several large infrastructure projects are planned to start in the region in the course of 2007. This is likely to kick-start private investment spending which has been unusually low for many years. Economic recovery in the region will also translate into higher spending power which is likely to lift private consumption expenditure.

- We are also seeing an easing of monetary and fiscal policies across the region. Central banks had been tightening monetary conditions for some years. However, Indonesia and Thailand have already started cutting interest rates, with other countries set to follow as well. Fiscal policy is also likely to be more stimulative in countries such as Thailand and Malaysia.

We present in the following pages the outlooks for the individual economies in the region.

singapore

After accelerating in the first half of 2006, the Singapore economy lost some momentum in the second half but remained on a fairly robust track. The lead indicator points to a moderate slowdown in the domestic economy in early 2007, in line with the outlook for a mild slowdown in the OECD economies.

Despite the possible headwinds from the global economy, we expect Singapore's economy to perform well in 2007-08. While there might be some downside risks in those parts of the economy that are exposed to export demand from the developed world, we believe that there are other engines of growth that are firing strongly. It is worth noting that new engines of growth have emerged while others have revived. This will help cushion the slowdown in manufacturing caused by weaker demand for electronics.

- With the regional hinterland economies set to step up public investment spending and so boost their economic growth, Singapore's regional hub services will probably enjoy good growth.

- Moreover, we see Singapore's property market recovery broadening out beyond the high-end segments – boosting household wealth and spurring real estate-related services as well. This will in turn help accelerate the turnaround in the construction sector that began in late 2006. Construction contracts awarded have boomed, suggesting a surge in construction activity in 2007-08 as private housing and infrastructure projects add to the effects of the construction of the two huge integrated resorts.

- A tight labour market will continue to allow inflows of foreign talent, which is rapidly becoming an important driver of economic growth. As a result, Singapore's labour force is growing faster than population growth would have allowed, raising its growth potential.

- Foreign direct investment ("FDI") will continue to be an important driver of growth as well. In addition to FDI in manufacturing, Singapore is likely to see more FDI flowing into the services sector as well.

In sum, external demand will probably slow while domestic demand will shift to a higher gear in 2007. With continued growth after strong growth in 2004-06, resource utilisation in the economy is tightening – unemployment has fallen and there is a clear shortage of prime office space for example. Wages are beginning to rise strongly while the rapid rise in commercial rents is a concern. Although inflationary pressures remain incipient, inflation risks are rising – which argues for continued Singapore Dollar appreciation in line with Singapore's policy of gradually appreciating the exchange rate as a means of controlling inflation.

Table 1: Singapore forecasts

	2001	2002	2003	2004	2005	2006	2007	2008
GDP growth % p.a.	-2.3	4.0	2.9	8.7	6.4	7.9	5.1	5.5
Private consumption expenditure growth	4.7	4.9	0.9	5.9	2.5	2.5	2.5	2.6
Gross fixed capital formation growth	-3.9	-11.4	-3.3	10.2	-1.9	11.3	11.1	10.9
Current account balance/GDP	13.8	13.4	24.1	24.5	28.5	27.5	30.1	29.4
Inflation	1.0	-0.4	0.5	1.7	0.5	1.0	1.9	2.5
3-mth S$SIBOR (end-year)	1.25	0.81	0.75	1.44	3.25	3.44	3.20	3.00
SGD/USD (end-year)	1.85	1.74	1.70	1.63	1.66	1.54	1.48	1.40

Source: Historical data collated from CEIC Database and forecasts by Centennial Group

malaysia

Malaysia's official leading indicator remained on an upward track towards the end of 2006, although there were some signs of a slight slowdown. There are a number of positive factors that look set to drive growth in 2007:

- The key to our expectations of strong growth in 2007 is the ramping up of fiscal spending in the Ninth Malaysia Plan ("9MP"). Towards the end of 2006 many of the projects under the 9MP were ready to be tendered out. This suggests a strong pick-up in public investment by the middle of 2007. A period of relative fiscal austerity is thus giving way to a period of stronger fiscal stimulus for the economy.

- What is also important is the new focus in the 9MP on developing regional growth centres. A prime example is the Iskandar Development Region, bordering on Singapore – public spending is leading the development of transportation and other infrastructure needed to transform this area into a major leisure/tourism and services hub that will complement Singapore's growth.

- It is likely that the implementation of major fiscal spending initiatives and highly accommodative monetary conditions will trigger off a recovery in private investment to boost investment spending in the economy significantly.

- Malaysia is also succeeding in attracting considerable amounts of Middle Eastern money and is thus likely to be a winner from the large surpluses in the oil exporting countries of the Middle East. Middle Eastern funds have been flowing into property, infrastructure and financial services companies.

- Malaysia also remains highly attractive as a destination for outsourcing. A. T. Kearney's global services location index shows Malaysia as the third most attractive place after India and China as a services base.

Thus, while export-oriented manufacturing will be vulnerable to the global deceleration, Malaysia is likely to remain resilient. Stepped up public and private investment spending will boost domestic-oriented manufacturing (which is about half of all manufacturing output). Inflationary pressures remain under control and the Ringgit is likely to appreciate further after rising strongly at the end of 2006. The external balances are expected to remain in healthy surplus. Overall, Malaysia is likely to enjoy a strong year in 2007.

Table 2: Malaysia forecasts

	2001	2002	2003	2004	2005	2006	2007	2008
GDP growth % p.a.	0.3	4.4	5.5	7.2	5.2	5.9	6.2	7.2
Private consumption expenditure growth	2.4	4.4	6.7	10.5	9.2	7.0	7.3	7.7
Gross fixed capital formation growth	-2.8	0.3	2.7	3.1	4.8	8.1	8.1	7.6
Current account balance/GDP	8.3	8.4	12.8	12.6	15.3	13.5	7.3	5.1
Inflation	1.4	1.8	1.1	1.4	3.1	3.6	3.5	3.9
3-mth KLIBOR (end-year)	3.27	3.21	3.07	2.83	3.22	3.71	3.48	3.59
MYR/USD (end-year)	3.80	3.80	3.80	3.80	3.78	3.55	3.35	3.30

Source: Historical data collated from CEIC Database and forecasts by Centennial Group

thailand

Thailand's economy has been set back by the political uncertainty that characterised 2006, culminating in the military coup of September 2006. These domestic political troubles were compounded by the bomb blasts in Bangkok on New Year's Eve. The political travails have hurt domestic demand, as both consumer confidence and business sentiment weakened. While the central bank's policy of monetary tightening helped to curb inflation, its imposition of capital controls in December 2006 to stem the rise of the Thai Baht hurt foreign investor confidence. The interim government's policy towards clarifying foreign ownership rules was well-intentioned but, as many uncertainties remain, foreign investment has been further hurt. Despite these negative developments, the Thai economy performed relatively well, growing by an estimated 4.7% in 2006, testifying to its resilience.

The first half of 2007 is likely to remain weak, judging by official lead indicators. This is when the lagged effects of monetary tightening and uncertainty over politics and policy will hit hardest. However, there is a reasonably good chance that the second half will see stronger growth:

- First, the central bank, having successfully curbed inflation, is now cutting interest rates. Looser monetary conditions will help to support consumer and business spending.
- Second, expansionary public spending is likely to start stimulating demand towards the middle of the year. By early January 2007, the government was already announcing tenders for some major projects, boosting confidence that fiscal spending will be implemented quickly.
- Emerging competitive niches such as auto manufacturing and exportable healthcare services will also improve the resilience of the economy.

In sum, the Thai economy will weaken in early 2007 but, if monetary and fiscal policy is eased quickly enough and if there are no more political and policy shocks, the economy is likely to recover in the later part of 2007.

Table 3: Thailand forecasts

	2001	2002	2003	2004	2005	2006	2007	2008
GDP growth % p.a.	2.2	5.3	7.1	6.3	4.6	5.0	5.0	7.4
Private consumption expenditure growth	4.1	5.4	6.5	6.2	4.3	3.2	5.1	5.7
Gross fixed capital formation growth	1.1	6.6	12.1	13.2	11.1	4.0	8.9	13.6
Current account balance/GDP	5.4	5.5	5.6	4.3	-4.5	1.6	1.5	1.4
Inflation	1.6	0.6	1.8	2.8	4.5	4.7	3.9	3.5
3M interest rate (end-year)	2.88	1.94	1.38	2.35	4.50	5.25	4.80	4.50
THB/USD (end-year)	44.24	43.20	39.63	38.80	40.99	35.69	37.00	38.00

Source: Historical data collated from CEIC Database and forecasts by Centennial Group

indonesia

The Indonesian economy out-performed expectations by maintaining a relatively good GDP growth rate of above 5% in 2006, despite the currency and interest rate shocks of late 2005 and early 2006. The country's external position has also strengthened considerably in the year.

The Indonesia economy is expected to see robust and accelerating growth in 2007. Lead indicators for economic growth are suggesting a strong pick-up, with imports of capital goods and intermediate goods rising strongly in late 2006. Both consumption and investment spending set to pick up strongly. As with other ASEAN economies, the likely slowdown in external demand will be mitigated by stronger domestic demand.

- The central bank has been cutting interest rates aggressively in the second half of the year, and is likely to continue doing so in early 2007. Inflation has fallen sharply and confidence has returned to the Indonesian Rupiah, allowing a substantial easing of monetary conditions.

- The economy is also likely to enjoy the benefits of increased infrastructure spending. While public infrastructure spending had been slow to get off the ground due to the various shocks that hit the economy since the December 2004 tsunami and late 2005 currency and interest rate shocks, the government is now pushing hard on this initiative.

- There are also signs that oil and gas output will recover, following the clarification of policies on foreign participation in the sector. Indonesia is likely to emerge as a net oil exporter again.

- At the same time, rising consumer confidence will also boost demand in the economy.

Table 4: Indonesia forecasts

	2001	2002	2003	2004	2005	2006	2007	2008
GDP growth % p.a.	3.6	4.5	4.8	5.1	5.6	5.5	6.5	6.2
Private consumption expenditure growth	3.5	3.8	3.9	5.0	4.0	3.2	4.8	3.6
Gross fixed capital formation growth	6.5	4.7	0.6	14.6	9.9	2.9	7.3	6.8
Current account balance/GDP	4.3	4.0	3.6	0.6	0.1	2.6	0.2	0.2
Inflation	11.5	11.9	6.6	6.2	10.4	13.3	7.3	7.9
3M SBI rate (end-year)	17.6	13.1	8.3	7.3	12.8	9.5	10.0	9.50
IDR/USD (end-year)	10400	8940	8465	9290	9830	9041	9150	9300

Source: Historical data collated from CEIC Database and forecasts by Centennial Group

Some risks do remain though. Inflationary and exchange rate expectations tend to be volatile. Moreover, Indonesia has been a major beneficiary of massive flows of foreign capital into its equities and bond markets. A sudden change in global investors' risk aversion could cause a large outflow of funds from Indonesia. Nevertheless, Indonesia appears to have put several years of lacklustre performance behind it and is poised for a new phase of stronger growth.

corporate governance report

The Board of Directors is committed to increasing the level of corporate governance in the Company in order to protect the interests of its shareholders. This report sets out the corporate governance practices of the Company during the financial year ended 31 December 2006, with specific reference to the principles of the Singapore Code of Corporate Governance 2005 (the "Code").

1. THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this and the management remains accountable to the Board.

1.1 The Board oversees the businesses and affairs of the Group, sets the strategic direction, guides and monitors the performance of management, reviews the Group's financial performance and establishes a framework of internal controls and risk management procedures and monitors standards of performance.

To assist in the execution of its responsibilities, the Board has established three Board committees: the Audit Committee, the Credit Committee and the Executive Resource and Compensation Committee. The Credit Committee, comprising of Chief Executive Officer and senior officers of the Company, assesses, reviews and makes decisions on credit risks that arise in the course of the financial business activities of the Company within the authority limits imposed by the Board. The details on the composition and functions of the Audit Committee and the Executive Resource and Compensation Committee can be found in the subsequent sections of this Report.

1.2 The Board has delegated to management the day-to-day operations and the implementation of systems of internal control. The Chief Executive Officer is assisted by a Management Committee chaired by the Chief Executive Officer and comprising senior management staff. In the absence of the Chief Executive Officer, the Management Committee is authorised to make decisions on his behalf. The Company has an internal audit department which monitors the internal controls and reports its findings and recommendations to the Audit Committee. The work of the internal audit department is guided by an assessment of the key areas of risk in the Group's operations.

Matters which require the Board's approval include the following:

- Announcements of financial results;
- Statutory accounts;
- Declaration of dividends;
- Budgets and financial planning;
- Corporate Strategy;
- Establishment of joint ventures;
- Investments or increase in investments in businesses, projects, subsidiaries and associated companies;
- Acquisition or disposal of significant assets, businesses, subsidiaries or associated companies;
- Capital expenditure or any expenditure of significant amount;
- Borrowings of the Company beyond a certain limit in amount as set by the Board; and
- All major transactions or events.

1.3 The Board holds four scheduled meetings in a year. In addition, special meetings may be convened as and when warranted to deliberate on urgent substantive matters.

During the financial year ended 31 December 2006, the Board of Directors held four meetings.

1.4 The attendance of the Board members at the Board meetings and meetings of the Audit Committee and the Executive Resource and Compensation Committee during the financial year ended 31 December 2006 is set out as follows:

Name of Directors	Board		Audit Committee		ERCC	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Lim Hua Min	4	4	NA	NA	2	2
Lim How Teck	4	4	2	2	2	2
Gabriel Teo Chen Thye	4	4	2	2	2	2
Lim Jit Poh #	3	3	1	1	1	1
Manu Bhaskaran *	4	4	1	1	NA	NA
Lee Soon Kie	4	4	NA	NA	NA	NA
Kwah Thiam Hock	4	4	NA	NA	NA	NA

ERCC Executive Resource and Compensation Committee
NA not applicable
Mr Lim Jit Poh resigned as director of the Company and ceased to be members of the Audit Committee and ERCC on 2 May 2006
* Mr Manu Bhaskaran was appointed as a member of the Audit Committee on 2 May 2006

1.5 The Company conducts orientation programs to familarise new directors with the Company's businesses and policies. From time to time where suitable training courses are available, the directors are encouraged to attend these courses.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

2.1 The Board comprises 6 directors of whom 3 are independent directors. The nature of the directors' appointments on the Board is set out as follows:

Director	**Board Membership**
Lim Hua Min	Non-Executive, Non-Independent, Chairman
Lim How Teck	Independent
Gabriel Teo Chen Thye	Independent
Manu Bhaskaran	Independent
Lee Soon Kie	Executive, Chief Executive Officer
Kwah Thiam Hock	Non-Executive, Non-Independent

During the financial year ended 31 December 2006, Mr Lim Jit Poh stepped down as director on 2 May 2006 and Mr Kwah Thiam Hock was re-designated as Non-Executive Director with effect from 18 December 2006.

2.2 The Board has examined its size and is satisfied that a size of 6 members is currently appropriate for the Company.

2.3 Details of the directors' academic and professional qualifications, appointment dates on the Board and other appointments are set out on pages 42 - 43.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

3.1 The Chairman and the Chief Executive Officer of the Company are separate persons and are not related to each other.

3.2 The Chairman is a Non-Executive Director while the Chief Executive Officer is an Executive Director. The roles of the Chairman and the Chief Executive Officer are kept separate and there is a clear division of responsibilities between them.

The Chairman is primarily responsible for the workings of the Board. The Chairman's responsibilities include approving the schedules of meetings and meeting agenda (with the assistance of the Company Secretary). As Chairman of the Board, he also leads the Board discussions and deliberation, facilitates effective contribution by Non-Executive Directors and exercises control over the timeliness of information flow between the Board and management.

The Chief Executive Officer manages the businesses of the Company, implements the Board's decisions and is responsible for the day-to-day operations of the Company.

Deviation – Guideline 3.1: The division of responsibilities between Chairman and Chief Executive Officer, though not set out in writing, is clearly recognised by the Board and is being practised.

4. BOARD MEMBERSHIP

Principle 4: *There should be a formal and transparent process for the appointment of new directors to the Board.*

4.1 The Board has established the Executive Resource and Compensation Committee that performs both the roles of nominating committee and remuneration committee.

4.2 The Executive Resource and Compensation Committee currently comprises 3 members, the majority of whom are independent. The Committee is chaired by Mr Lim How Teck who is an independent Non-Executive Director and is not associated with a substantial shareholder.

During the financial year ended 31 December 2006, Mr Lim Jit Poh ceased to be a member of the Executive Resource and Compensation Committee on 2 May 2006. Following this, the composition of the Executive Resource and Compensation Committee is set out below:

Lim How Teck	Chairman, Independent
Lim Hua Min	Member, Non-Independent
Gabriel Teo Chen Thye	Member, Independent

4.3 The Executive Resource and Compensation Committee functions under the terms of reference as approved by the Board. Under the terms of reference, the Executive Resource and Compensation Committee (in respect of its function as a nominating committee):

(i) assists the Board to assess the effectiveness of the Board as a whole as well as the contribution of the individual directors to the effectiveness of the Board;

(ii) establishes a formal process for the Group on the appointment of directors, re-nomination and re-election of directors;

(iii) considers and determines the independence of the directors, at least annually; and

(iv) recommends to the Board on all the Board appointments and reappointments.

The directors submit themselves for re-nomination and re-election at regular intervals in accordance with the Articles of Association. The Code recommends, inter alia, that all directors be required to subject themselves for re-nomination and re-election at regular intervals at least every 3 years. The Articles of Association were amended at the annual general meeting of the Company held on 20 May 2003 to align the Articles to the recommendations under the Code.

To address the time commitments of directors who sit on multiple boards, the meeting dates of the Board and Board committees are scheduled in advance at the beginning of each calendar year.

Any proposed appointment of potential new directors will be reviewed by the Executive Resource and Compensation Committee before the recommendation is put up to the Board for its approval. In accordance with the Company's Articles of Association, all new appointees to the Board, if not elected by the shareholders at the annual general meeting, will only hold office until the next annual general meeting after the date of their appointment.

5. BOARD PERFORMANCE

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

5.1 In the beginning of each year, the Executive Resource and Compensation Committee assessed the effectiveness of the Board through a self-assessment process that involves each director to complete the evaluation questionnaires on issues such as board performance, effectiveness and board composition as well as a review of the collated results.

5.2 The Board adopts a performance benchmark for the Company's performance based mainly on the average return on equity of the various comparable companies in the industry.

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

6.1 Management provides all the members of the Board with a progress report on the performance of the Group (including group consolidated accounts) on a quarterly basis.

6.2 Where there are Board meetings, the Board members are provided with board papers in advance of the meetings so that sufficient time is given to the Board members to prepare. The board papers will set out information which includes background or explanatory information relating to the matters to be brought before the Board. In respect of budgets, any material variance between projections and actual results are explained.

The Chairman, with the assistance of the Company Secretary, exercises control over the quality and timeliness of information flow between the Board and management.

6.3 The directors have direct access to the Company's senior management and the Company Secretary. The Company Secretary attends all the Board meetings. The directors, whether as a group or individually, are also entitled to seek independent professional advice with costs to be borne by the Company on any issue(s) which may arise in the course of performing their duties.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

7.1 The Board committee, the Executive Resource and Compensation Committee, also performs the role of a remuneration committee. The Committee comprises entirely of Non-Executive Directors, the majority of whom, including the Chairman, are independent.

7.2 Pursuant to the terms of reference, the Committee:

(i) reviews and approves the remuneration packages for each director and the key executives as well as their terms of employment, and also decides on policies relating to remuneration and incentive programs (including staff benefits and special bonuses) for the staff of the Group; and

(ii) administers the share option scheme and the performance share plan, both established in the year 2000.

The Committee, if it requires, can seek expert advice on executive compensation matters from professional firms.

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

8.1 For the Chief Executive Officer/Executive Directors, their remuneration packages comprise of a fixed component which is benchmarked against the financial services industry and a variable component which is linked to the performance of the Group as well as the individual performance. An annual performance incentive plan implemented by the Group links rewards purely to corporate and individual performance.

8.2 For the Non-Executive Directors, they are remunerated based on a framework of basic director fees and committee fees which is formulated taking into account factors such as responsibilities, level of contribution and time spent. The framework is reviewed by the Executive Resource and Compensation Committee and endorsed by the Board.

8.3 The directors' fees payable to the Non-Executive Directors are subject to shareholders' approval at the annual general meeting. The Executive Directors do not receive directors' fees.

8.4 The service contracts of the Executive Director(s) do not contain onerous removal clauses.

Deviation - Guideline 8.3: There is no fixed appointment period of the Executive Director(s) in the service contract. However, the service contract contains the usual notice of termination clause of less than 6 months and there are no onerous removal clauses.

8.5 The Group has in place two non-cash benefit schemes in the form of a share option scheme and a performance share plan (details of the share option scheme and the performance share plan are on pages 48 - 50). These schemes are administered by the Executive Resource and Compensation Committee.

9. DISCLOSURES ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

9.1 A breakdown showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2006 is as follows:

	Number of Directors	
Remuneration Band	**2006**	**2005**
$500,000 and above	1	0
$250,000 to below $500,000	1	2
Below $250,000	5	5
Total	**7***	**7**

* includes 1 director who resigned during the course of the financial year ended 31 December 2006.

Remuneration Band/ Directors of Company	Directors Fees %	Fixed Pay %	Variable Bonus %	Allowances & Others %	Total %
(i) $500,000 to below $750,000					
Lee Soon Kie	-	47	46	7	100
(ii) $250,000 to below $500,000					
Kwah Thiam Hock [1]	- [2]	55	40	5	100
(iii) Below $250,000					
Lim Hua Min	100	-	-	-	100
Gabriel Teo Chen Thye	100	-	-	-	100
Lim How Teck	100	-	-	-	100
Manu Bhaskaran	100	-	-	-	100
Lim Jit Poh	100	-	-	-	100

[1] Redesignated as Non-Executive Director with effect from 18 December 2006.

[2] Negligible at 0.1%.

9.2 There are no employees who are immediate family members of a director or the Chief Executive Officer and whose remuneration exceeds $150,000 during the year.

9.3 The breakdown of the five most highly compensated key executives of the Company (who are not also directors of the Company) into remuneration bands of $250,000 is as follows:

Remuneration Band	2006	2005
$500,000 and above	0	0
$250,000 to below $500,000	1	1
Below $250,000	4	4
Total	**5**	**5**

Deviation – Guideline 9.2: The Code recommends that the report should set out the names of at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of $250,000. Given the competitive industry conditions, the Board, after weighing the advantages and disadvantages, feels that it is in the interests of the Company that the names of the top 5 key executives (who are not directors) and the details of their remuneration are not disclosed.

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

10.1 The Board provides shareholders with half-yearly financial reports. Results for the first half are released to the shareholders within 45 days of the reporting period while the full-year results are released to the shareholders within 60 days of the financial year-end. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of the Group's financial performance and prospects.

10.2 Management provides all the members of the Board with management accounts on the performance of the Group on a quarterly basis.

Deviation – Guideline 10.2: Although the management accounts are not provided to all the members of the Board on a monthly basis as recommended by the Code, such monthly reports are available upon request.

11. AUDIT COMMITTEE

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

11.1 The Audit Committee comprises 3 members, all of whom are independent Non-Executive Directors:

Gabriel Teo Chen Thye	Chairman, Independent
Lim How Teck	Member, Independent
Manu Bhaskaran	Member, Independent

During the course of the financial year ended 31 December 2006, Mr Manu Bhaskaran was appointed as an independent member of the Audit Committee on 2 May 2006 to replace Mr Lim Jit Poh who ceased to be a member of the Audit Committee on 2 May 2006.

The Board is of the view that the members of the Audit Committee have the requisite experience and expertise to discharge the functions of the Audit Committee.

11.2 The Audit Committee functions under the terms of reference approved by the Board which set out its duties and responsibilities. The role of the Audit Committee is mainly to oversee the adequacy of the overall internal control functions, the internal audit functions within the Group, the relationship of those functions to external audit, the scope of audit by as well as the independence of the external auditor. The Audit Committee reviews the interim and annual announcements of the Group's financial results as well as the financial statements of the Group and the Company before they are submitted to the Board for approval. The Audit Committee also reviews interested person transactions (as defined in Chapter 9 of SGX Listing Manual).

11.3 In performing its functions, the Audit Committee met with the internal and external auditors, without the presence of management, and reviewed the overall scope of both the internal and external audits, and the assistance given by management to the auditors.

The Audit Committee also reviews the independence of external auditors annually as well as the re-appointment of external auditors.

11.4 The Audit Committee is authorised to investigate any matters within its terms of reference, with full access to and co-operation by the management. The Audit Committee also has full discretion to invite any director or executive officer to attend its meetings and reasonable resources to carry out its functions.

11.5 The Audit Committee reviews the whistle-blowing arrangements implemented by the Company which allow staff to raise concerns, in confidence, of any improprieties. The objective is to ensure that such arrangements are in place for independent investigation of such matters or concerns raised and for appropriate follow-up action.

12. INTERNAL CONTROLS

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

12.1 The Audit Committee reviews the adequacy of the internal control system that includes internal financial, operational and compliance controls, and risk management policies and systems established by management, with the assistance of the internal and external auditors. The internal auditors conduct reviews of the internal control systems and will highlight any significant internal control weaknesses noted to the Audit Committee as well as monitor that necessary actions are taken by management.

12.2 Risk assessment and evaluation is an ongoing process which forms an integral part of the Group's business cycle. The Group has in general adopted a standard procedure in managing risks. This includes the identification and evaluation of priority risks and a monitoring mechanism to respond to changes within both the enterprise and the business environment. In order to ensure smooth running of the risk management process, key business objectives have been communicated by management to the heads of the various departments in the Group. The Group's operating units are aware of their responsibilities for the internal control systems and the role they play in ensuring that the financial results are properly stated in accordance with statutory requirements and the Group's policies.

12.3 The Board notes that all internal control systems contain its inherent limitations and thus can only provide reasonable, but not absolute, assurance against material financial misstatement or loss.

Based on the information furnished to the Board, the Board is satisfied with the adequacy of the current Company's internal control system maintained by management.

13. INTERNAL AUDIT

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

13.1 The Group has an in-house internal audit function that is independent of the activities it audits. The Internal Audit department was set up to ensure internal controls are adequate and to monitor the performance and effective application of the internal audit procedures with regards to these controls. In the course of their work, the internal auditors' activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

13.2 The internal auditors report primarily to the Chairman of the Audit Committee on audit matters and to the Chief Executive Officer on administrative matters.

13.3 The Audit Committee ensures that the internal audit function has adequate resources and has appropriate standing within the Group. The Committee, on an annual basis, assesses the effectiveness of the internal auditors by examining:

(a) the scope of the internal auditors' work;

(b) the quality of their reports;

(c) to whom they report within the Group;

(d) their relationship with the external auditors; and

(e) their independence of the areas reviewed.

14. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

14.1 The Board strives for timeliness in its disclosures to shareholders and the public and it is the Board's policy to keep shareholders informed of material developments that would have an impact on the Company or the Group through announcements via SGXNET and at times, press releases.

15. GREATER SHAREHOLDER PARTICIPATION

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

15.1 Shareholders are afforded the opportunity to raise relevant questions and to communicate their views at shareholders' meetings.

The Articles of Association allow a shareholder to appoint one or two proxies to attend and vote in his place at general meetings.

Deviation – Guideline 15.1: Other methods of voting in absentia (like voting by electronic mail, email or fax) as recommended by the Code are not made available at the moment due to concerns relating to issues of security controls and integrity of information.

15.2 Chairpersons of the Audit Committee and the Executive Resource and Compensation Committee and the external auditors attend annual general meetings to address any questions which may be raised by the shareholders at such meetings.

16. CODE ON DEALINGS IN SECURITIES

The Company has issued an Internal Compliance Code On Securities Transactions ("Internal Compliance Code") to directors and key employees (including employees with access to price-sensitive information in relation to the Company's shares) of the Company, setting out a code of conduct on dealings in the Company's shares by these persons. The guidelines under the Internal Compliance Code, inter alia, provide that officers (i) should not deal in the Company's shares on short-term considerations; and (ii) should not deal in the Company's shares during the period commencing one month before the announcement of the Company's half-year and full-year financial results (as the case may be) and ending on the date of announcement of the relevant results. These persons are required to report to the Company Secretary whenever they deal in the Company's shares and the latter will assist the Audit Committee and the Board to monitor such share transactions and make the necessary announcements.

Details of the directors' appointment dates on the Company's Board, academic and professional qualifications and other major appointments:

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	(a) Present directorships in other listed companies (b) Other major appointments
Mr Lim Hua Min	- Bachelor of Science (Honours), University of Surrey, England (1968) - Master of Science, Imperial College, London University (1969)	(a) 20.05.2003 (b) 27.04.2004	(a) Walker, Crips, Weddle, Beck plc (UK) (b) Member, Board of Directors, Phillip Securities Pte Ltd Member, Board of Directors, Phillip Futures Pte Ltd Member, Board of Directors, Phillip Financial Pte Ltd Board Member, Inland Revenue Authority of Singapore
Mr Lim How Teck	- Bachelor of Accountancy, University of Singapore (1975) - Fellow, The Chartered Institute of Management Accountants of UK - Associate, Institute of Business Administration of Australia	(a) 30.06.2000 (b) 26.04.2005	(a) Norelco UMS Holdings Limited Lasseters International Holdings Limited CDL Hospitality Trusts (b) Fellow, Certified Public Accountants of Australia Fellow, Institute of Certified Public Accountants of Singapore Fellow, Singapore Institute of Directors
Mr Gabriel Teo Chen Thye	- Bachelor of Business Administration, University of Singapore (1975) - Masters in Business Administration, Cranfield School of Management (UK) (1980)	(a) 02.11.1999 (b) 26.04.2006	(a) Sunningdale Tech Ltd (b) Member, Board of Directors, NTUC Income Insurance Co-operative Limited Member, Board of Directors, SP Services Ltd Chairman, Board of Directors, One Marina Property Services Pte Ltd (formerly SLF Management Services Pte Ltd) Member, Board of Governors, St Gabriel's Foundation Member, Advisory Committee, School of Business Management, Nanyang Polytechnic

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	(a) Present directorships in other listed companies (b) Other major appointments
Mr Manu Bhaskaran	- Bachelor of Arts (Honours), Magdalene College, Cambridge University (1980) - Masters in Public Administration, John F Kennedy School of Government, Harvard University (1987) - Chartered Financial Analyst (1992)	(a) 26.02.2004 (previously director of IFS from 26.06.2002 to 20.05.2003) (b) 26.04.2006	(a) - (b) General Secretary, Singapore Institute of International Affairs Vice President, Economic Society of Singapore Senior Adjunct Fellow, Institute of Policies Studies
Mr Lee Soon Kie	- Bachelor of Arts, National University of Singapore (1983) - Master of Science, University of Wales, Aberystwyth, UK (2002)	(a) 21.03.2003 (b) 26.04.2006	(a) LifeBrandz Ltd Babcock & Brown Structured Finance Fund Limited (b) -
Mr Kwah Thiam Hock	- Bachelor of Accountancy, University of Singapore (1973)	(a) 04.05.1987 (b) 26.04.2005	(a) Select Catering Services Limited Wilmar International Limited (b) Member, Management Committee, Singapore Turf Club Member, Audit Committee, Singapore Totalisation Board Fellow, Certified Public Accountant, Institute of Certified Public Accountants of Singapore Fellow, Certified Public Accountant, Australian Society of Accountants Fellow, Association of Chartered Certified Accountants (UK)

balancing act

highlights of the financial year

financial report 2006

directors' report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2006.

DIRECTORS

The directors in office at the date of this report are as follows:

Lim Hua Min	
Gabriel Teo Chen Thye	
Lim How Teck	
Lim Jit Poh	(Resigned on 2 May 2006)
Manu Bhaskaran	
Lee Soon Kie	
Kwah Thiam Hock	

CHANGE OF NAME

During the financial year, the Company changed its name from International Factors (Singapore) Ltd to IFS Capital Limited.

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the next page.

DIRECTORS' INTERESTS *(cont'd)*

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Lim Hua Min		
IFS Capital Limited		
- ordinary shares		
- interest held	-	-
- deemed interests	41,006,496	41,846,872
Lee Soon Kie		
IFS Capital Limited		
- ordinary shares		
- interest held	243,000	393,000
- deemed interests	-	-
Kwah Thiam Hock		
IFS Capital Limited		
- ordinary shares		
- interest held	292,000	352,000
- deemed interests	-	-

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2007.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements and in this report.

SHARE OPTIONS

IFS (2000) Share Option Scheme ("2000 Scheme")

The 2000 Scheme succeeded the IFS Employees Share Option Scheme 1994 which was terminated on 24 May 2000.

Under the 2000 Scheme:

(i) Options will be granted to selected employees of the Company and/or its subsidiaries, including Executive and Non-Executive Directors of the Company and other selected participants, provided that they are not controlling shareholders or its associates of the Company, to subscribe for ordinary shares in the Company.

(ii) The 2000 Scheme shall continue to be in force at the discretion of the Committee administering the Scheme, subject to a maximum period of 10 years commencing on 24 May 2000 provided always that the 2000 Scheme may continue beyond 10 years with the approval of the Company's shareholders by ordinary resolution in general meeting or any relevant authorities which may then be required.

(iii) The aggregate number of ordinary shares to be issued pursuant to the 2000 Scheme and those to be awarded under the IFS Performance Share Plan, as detailed under "Performance Share Plan", shall not exceed 15% of the issued shares in the capital of the Company on the day preceding the relevant grant date.

(iv) The offer of an option to an eligible grantee, if not accepted by him within 30 days from the date of such offer, will lapse. Upon acceptance of the offer, the eligible grantee to whom the option is granted shall pay to the Company a consideration of $1.

(v) The subscription price shall be determined by the Committee administering the Scheme at:

(a) daily weighted average price for the ordinary share as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Limited for the 3 consecutive trading days immediately preceding the date of grant of the option ("Market Price"); or

(b) a price which is set at a maximum discount of 20% of the Market Price.

(vi) All options are settled by physical delivery of shares to The Central Depository (Pte) Limited.

SHARE OPTIONS *(cont'd)*

(vii) The option can be exercised during the following period:

Type of options	Exercise period
Option with subscription price fixed at Market Price granted to: • Participants other than Non-Executive Directors • Non-Executive Directors	 • 12 to 120 months from date of grant • 12 to 60 months from date of grant
Option with subscription price fixed at a discount to the Market Price granted to: • Participants other than Non-Executive Directors • Non-Executive Directors	 • 24 to 120 months from date of grant • 24 to 60 months from date of grant

The Schemes are administered by the Executive Resource and Compensation Committee ("Committee") which comprises the following Non-Executive Directors:

Lim How Teck (Chairman)	Independent
Lim Hua Min	Non-Independent
Gabriel Teo Chen Thye	Independent
Lim Jit Poh (resigned on 2 May 2006)	Independent

No eligible participant has been granted options which in aggregate, represent 5% or more of the total number of new shares available under the 2000 Scheme and the IFS Performance Share Plan.

No options were granted under the 2000 Scheme to controlling shareholders or their associated corporations, or parent group employees.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any rights to participate in any share issue of any other company.

SHARE OPTIONS *(cont'd)*

The following are details of options granted to and exercised by Directors under the 2000 Scheme:

Name of director	Options granted for financial year ended 31/12/2006	Aggregate options granted since commencement of Scheme to 31/12/2006	Aggregate options exercised since commencement of Scheme to 31/12/2006	Options lapsed	Aggregate options outstanding as at 31/12/2006
2000 Scheme					
Kwah Thiam Hock	-	120,000	120,000	-	-

During the financial year under review:

- No options were granted under the 2000 Scheme.
- 197,600 Ordinary Shares were issued at the exercise price of $0.50 per share pursuant to the exercise of options granted under the 2000 Scheme. There were a total of 99,700 unissued shares under the 2000 Scheme at the end of the financial year. Details of the options to subscribe for shares (including those granted to the Executive Directors) are as disclosed in Note 20 to the financial statements.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

PERFORMANCE SHARE PLAN

IFS Performance Share Plan ("PSP")

Under the PSP, awards, which represent the right to receive the Company's ordinary shares free of charge upon the achievement of certain prescribed performance targets, will be given to those participants eligible to participate in the PSP. The limit on the number of ordinary shares to be issued under the PSP is detailed in the preceding section, "Share Options".

The PSP is administered by the Committee. The PSP shall continue to be in force at the discretion of the Committee subject to a maximum period of 10 years commencing 24 May 2000. Further details for the PSP are set out in the Company's Circular dated 2 May 2000.

No awards have been granted under the PSP since its commencement.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

Gabriel Teo Chen Thye (Chairman)	Non-Executive Director
Lim Jit Poh (resigned on 2 May 2006)	Non-Executive Director
Lim How Teck	Non-Executive Director
Manu Bhaskaran (appointed on 2 May 2006)	Non-Executive Director

The Audit Committee performs the functions specified in Section 201B of the Singapore Companies Act, the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held two meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lee Soon Kie
Director

Kwah Thiam Hock
Director

Singapore
28 February 2007

statement by directors

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In our opinion:

(a) the financial statements set out on pages 55 to 138 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Lee Soon Kie
Director

Kwah Thiam Hock
Director

Singapore
28 February 2007

independent auditors' report

Members of the Company
IFS Capital Limited
(formerly known as International Factors (Singapore) Ltd)

We have audited the accompanying financial statements of IFS Capital Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 55 to 138.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

independent auditors' report

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG

KPMG
Certified Public Accountants

Singapore
28 February 2007

balance sheets

	Note	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Non-current assets					
Property, plant and equipment	3	**20,033,914**	20,154,969	**19,390,231**	19,942,614
Intangible assets	4	**271,008**	695,182	**151,881**	174,602
Subsidiaries	5	**-**	-	**46,276,587**	40,903,082
Associates	6	**7,113,114**	5,474,202	**4,036,803**	4,015,088
Other investments	7	**21,624,794**	17,473,396	**7,723,859**	4,644,459
Staff loans	8	**-**	13,222	**-**	13,222
Loans, advances and hire purchase receivables	9	**83,089,396**	93,137,049	**75,505,313**	86,262,440
Deferred tax assets	11	**3,290,057**	2,270,936	**3,272,304**	2,270,936
		135,422,283	139,218,956	**156,356,978**	158,226,443
Current assets					
Reinsurers' share of insurance contract provisions	12	**23,750,000**	28,389,000	**-**	-
Insurance receivables	13	**3,007,571**	2,580,308	**-**	-
Trade and other receivables	14	**235,709,092**	313,336,848	**232,226,760**	270,472,634
Derivative financial instruments	17	**155,283**	220,008	**155,283**	220,008
Other investments	7	**35,897,215**	43,496,848	**252,184**	5,980,612
Cash and cash equivalents	18	**25,502,650**	27,518,822	**3,648,681**	7,370,437
		324,021,811	415,541,834	**236,282,908**	284,043,691
Total assets		**459,444,094**	554,760,790	**392,639,886**	442,270,134
Equity attributable to equity holders of the Company					
Share capital	19	**77,675,397**	51,648,568	**77,675,397**	51,648,568
Share premium		**-**	25,928,029	**-**	25,928,029
Other reserves	21	**506,662**	636,526	**-**	-
Accumulated profits	21	**37,725,046**	29,378,348	**22,114,681**	16,390,667
Total equity		**115,907,105**	107,591,471	**99,790,078**	93,967,264
Non-current liabilities					
Interest-bearing borrowings	22	**112,333,614**	48,357,807	**112,333,614**	48,357,807
Deferred tax liabilities	11	**395,498**	227,105	**-**	-
		112,729,112	48,584,912	**112,333,614**	48,357,807
Current liabilities					
Trade and other payables	23	**38,742,153**	81,691,390	**36,129,463**	41,042,863
Insurance payables	25	**4,681,354**	7,086,856	**-**	-
Interest-bearing borrowings	22	**139,736,274**	254,520,056	**139,736,274**	254,520,056
Derivative financial instruments	17	**1,073**	12,005	**1,073**	12,005
Insurance contract provisions for					
- gross unexpired risks	12	**28,520,000**	35,100,000	**-**	-
- gross insurance claims	12	**10,345,000**	8,963,000	**-**	-
Bank overdrafts (unsecured)	18	**-**	85,674	**-**	82,457
Current tax payable		**8,782,023**	11,125,426	**4,649,384**	4,287,682
		230,807,877	398,584,407	**180,516,194**	299,945,063
Total liabilities		**343,536,989**	447,169,319	**292,849,808**	348,302,870
Total equity and liabilities		**459,444,094**	554,760,790	**392,639,886**	442,270,134

The accompanying notes form an integral part of these financial statements.

consolidated income statement

(Year ended 31 December 2006)

	Note	2006 $	2005 $
Interest income	26	**24,533,014**	21,557,448
Interest expense	27	**(12,270,440)**	(8,767,950)
Net interest income		**12,262,574**	12,789,498
Gross written premiums		**8,070,790**	13,749,059
Change in gross provision for unexpired risks		**6,580,000**	1,388,000
Gross earned premium revenue		**14,650,790**	15,137,059
Written premiums ceded to reinsurers		**(4,548,706)**	(7,259,929)
Reinsurers' share of change in the provision for unexpired risks	12	**(5,333,000)**	(2,397,000)
Reinsured premium expense		**(9,881,706)**	(9,656,929)
Net earned premium revenue	28	**4,769,084**	5,480,130
Fee and commission income	29	**7,170,097**	7,801,174
Investment income	30	**5,018,695**	5,125,551
Other income	31	**375,769**	2,378,681
Income before operating expenses		**29,596,219**	33,575,034
Business development expenses		**(1,127,348)**	(994,884)
Commission expenses		**(646,826)**	(1,164,107)
Staff costs		**(7,420,948)**	(7,189,186)
General and administrative expenses		**(5,243,500)**	(4,429,714)
		(14,438,622)	(13,777,891)
Change in provision for insurance claims		**(1,382,000)**	(167,000)
Reinsurers' share of change in provision for insurance claims		**694,000**	(15,000)
Gross claims paid	12	**(1,594,048)**	(1,018,247)
Reinsurers' share of claims paid	12	**1,109,609**	339,353
Net claims incurred		**(1,172,439)**	(860,894)
Operating profit before allowances		**13,985,158**	18,936,249
Allowances for loan losses and impairment of investments	32	**(3,322,022)**	(4,688,056)
Operating profit after allowances		**10,663,136**	14,248,193
Goodwill written off and others		**(521,356)**	-
Share of after-tax results of associates		**1,331,375**	531,474
Profit before income tax	33	**11,473,155**	14,779,667
Tax credit/(expense)	34	**354,201**	(3,191,710)
Net profit for the year		**11,827,356**	11,587,957
Earnings per share	35		
Basic earnings per share (cents)		**11.4**	11.2
Diluted earnings per share (cents)		**11.4**	11.2

The accompanying notes form an integral part of these financial statements.

consolidated statement of changes in equity

(Year ended 31 December 2006)

	Share capital $	Share premium $	Capital reserves $	Fair value and revaluation reserve $	Currency translation reserve $	Accumulated profits $	Total $
At 1 January 2005	51,648,568	25,928,029	786,973	83,058	(44,715)	20,682,712	99,084,625
Exchange differences							
- translation of net assets of foreign subsidiaries and associates	-	-	-	-	(105,732)	-	(105,732)
Disposal of available-for-sale quoted equity investments	-	-	-	(83,058)	-	-	(83,058)
Net losses recognised directly in equity	-	-	-	(83,058)	(105,732)	-	(188,790)
Net profit for the year	-	-	-	-	-	11,587,957	11,587,957
Total recognised income and expense for the year	-	-	-	(83,058)	(105,732)	11,587,957	11,399,167
First and final dividend paid of 3.5 cents per share less tax of 20% in respect of year 2004	-	-	-	-	-	(2,892,321)	(2,892,321)
At 31 December 2005	51,648,568	25,928,029	786,973	-	(150,447)	29,378,348	107,591,471
At 1 January 2006	**51,648,568**	**25,928,029**	**786,973**	**-**	**(150,447)**	**29,378,348**	**107,591,471**
Exchange differences							
- translation of net assets of foreign subsidiaries and associates	**-**	**-**	**-**	**-**	**529,267**	**-**	**529,267**
Capitalisation of statutory legal reserves of an associate	**-**	**-**	**48,869**	**-**	**-**	**(48,869)**	**-**
Net gain/(loss) recognised directly in equity	**-**	**-**	**48,869**	**-**	**529,267**	**(48,869)**	**529,267**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**11,827,356**	**11,827,356**
Total recognised income and expense for the year	**-**	**-**	**48,869**	**-**	**529,267**	**11,778,487**	**12,356,623**
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	**25,928,029**	**(25,928,029)**	**-**	**-**	**-**	**-**	**-**
Transfer to revenue reserve	**-**	**-**	**(708,000)**	**-**	**-**	**708,000**	**-**
197,600 ordinary shares issued pursuant to exercise of IFS (2000) Share Option Scheme	**98,800**	**-**	**-**	**-**	**-**	**-**	**98,800**
First and final dividend paid of 5.0 cents per share less tax of 20% in respect of year 2005	**-**	**-**	**-**	**-**	**-**	**(4,139,789)**	**(4,139,789)**
At 31 December 2006	**77,675,397**	**-**	**127,842**	**-**	**378,820**	**37,725,046**	**115,907,105**

The accompanying notes form an integral part of these financial statements.

consolidated
cash flow statement

(Year ended 31 December 2006)

	2006 $	2005 $
Operating activities		
Profit before income tax	**11,473,155**	14,779,667
Adjustments for:		
Share of after-tax results of associates	**(1,331,375)**	(531,474)
Amortisation of		
- intangible assets	**212,857**	289,676
- discount on floating rate notes	**39,452**	100,000
- held-to-maturity debt securities	**107,957**	153,160
Foreign currency translation	**164,415**	(36,001)
Depreciation of property, plant and equipment	**766,563**	721,395
(Gain)/loss on disposal of		
- property, plant and equipment	**(41)**	3,810
- equity securities held-for-trading	**(1,185,839)**	(2,196,688)
- equity securities available-for-sale	**-**	(823,830)
Unrealised gain on equity securities held-for-trading	**(2,586,943)**	(1,326,291)
Property, plant and equipment written off	**580**	-
Intangible assets written off	**438,345**	-
Allowance for impairment of		
- doubtful receivables	**2,015,232**	4,301,331
- insurance and other receivables	**601,100**	-
- equity securities available-for-sale	**705,690**	386,725
(Reversals)/provisions for		
- unexpired risks	**(1,247,000)**	1,009,000
- insurance claims	**688,000**	182,000
Interest income	**(24,533,104)**	(21,557,448)
Investment income		
– bonds	**(753,289)**	(616,150)
– unquoted available-for-sale investment	**(342,415)**	-
Interest income		
- fixed deposits	**(275,423)**	(14,271)
- held-to-maturity debt securities	**(179,922)**	-
Financial expense	**208,195**	145,716
Interest expense	**12,270,440**	8,767,950
Dividend income	**(414,624)**	(317,312)
Negative goodwill arising from acquisition of investment business	**-**	(1,638,422)
Bad and doubtful receivables written off	**-**	7
Operating (loss)/gain before changes in working capital	**(3,157,994)**	1,782,550

The accompanying notes form an integral part of these financial statements.

consolidated cash flow statement

	Note	2006 $	2005 $
Balance brought forward		**(3,157,994)**	1,782,550
Changes in working capital:			
Factoring receivables		**29,159,422**	(9,491,540)
Factoring amounts due to clients		**(7,122,203)**	2,936,487
Amounts due to affiliated corporations, net		**22**	-
Loans, advances and hire purchase receivables		**18,795,799**	(42,458,279)
Trade and other receivables		**37,623,304**	(27,775,285)
Trade and other payables		**(39,316,898)**	35,645,084
Cash generated from/(used in) operations		**35,981,452**	(39,360,983)
Interest received		**26,047,822**	22,095,385
Interest paid		**(12,294,438)**	(8,009,817)
Income taxes paid		**(3,872,785)**	(1,159,656)
Income tax refund		**1,032,855**	-
Cash flows from/(used in) operating activities		**46,894,906**	(26,435,071)
Investing activities			
Repayment of loans by associate, net		**(16,880)**	2,410
Investment in associate		**(4,835)**	-
Redemption of preference shares in associate		**-**	1,049,895
Purchase of property, plant and equipment		**(646,213)**	(178,003)
Proceeds from sale of property, plant and equipment		**166**	6,984
Purchase of intangible assets		**(227,028)**	(217,709)
Purchase of investments, net		**(10,700,500)**	(28,725,861)
Proceeds from disposal of investments		**12,218,681**	5,818,968
Net cash inflow on acquisition of subsidiaries	36	**-**	112,218
Proceeds from sale/redemption of investments		**5,303,813**	1,658,033
Loan to minority shareholder		**(5,479)**	-
Dividends received from investments and associates		**86,303**	735,211
Cash flows from/(used in) investing activities		**6,008,028**	(19,737,854)
Financing activities			
Dividends paid		**(4,139,789)**	(2,892,321)
Repayments of term loans		**(50,847,427)**	-
Proceeds from term loans		**-**	53,703,074
Proceeds from issue of ordinary shares		**98,800**	-
Cash flows (used in)/from financing activities		**(54,888,416)**	50,810,753
Net (decrease)/increase in cash and cash equivalents		**(1,985,482)**	4,637,828
Cash and cash equivalents at beginning of year		**27,433,148**	22,779,937
Effect of exchange rate fluctuations on cash held		**54,984**	15,383
Cash and cash equivalents at end of year (Note 18)		**25,502,650**	27,433,148

The accompanying notes form an integral part of these financial statements.

notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 February 2007.

1 DOMICILE AND ACTIVITIES

IFS Capital Limited (formerly known as International Factors (Singapore) Ltd) (the "Company") is incorporated in the Republic of Singapore and has its registered office at 7 Temasek Boulevard #10-01, Suntec Tower One, Singapore 038987.

The principal activities of the Company are those relating to the provision of commercial finance such as factoring services and working capital and asset based financing. The principal activities of the subsidiaries are detailed in Note 5 below.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

The financial statements are presented in Singapore dollars which is the Company's functional currency, unless otherwise stated.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 41.

Accounting policy relating to the following type of transaction was adopted during the year:

- Amendment to FRS 39 Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts

The Group has assessed the above change in accounting policy to have no material impact to the comparatives or the opening balance of accumulated profits of the Group.

Except for the above changes, the accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2.2 Consolidation

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Consolidation *(cont'd)*

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries and associates by the Company

Investments in subsidiaries and associates are stated in the Company's balance sheet at cost less accumulated impairment losses.

2.3 Affiliated companies

An affiliated company is a company, other than a related corporation, in which the directors and/or shareholders of the Group have substantial financial interests and may be able to exercise significant influence over the Group. All transactions with affiliated companies are therefore related party transactions carried out on terms agreed between the Group and such parties.

2.4 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Singapore dollars at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Singapore dollars at the exchange rates at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below), and available-for-sale equity instruments.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.4 Foreign currencies *(cont'd)*

Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements.

2.5 Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Credit insurance

The Group provides credit insurance against non-payment risks arising from commercial and political events. Commercial events may be due to protracted default in payments or insolvency of the buyer. Political events are defined as external factors beyond the control of both the policyholder and the buyer that lead to the buyer not being able to make payments to the policyholders. Political events are for example the occurrence of war or other disturbances in the buyer's country affecting the settlement of debt, transfer payment delays due to the imposition of foreign exchange controls, or the cancellation or imposition of import licence in the buyer's country.

The Group issues short-term comprehensive contracts where the period of coverage is usually a year or less. These policies are typically purchased by exporters who are based mainly in Singapore. The Group also issues specific policies for medium and long term credit period.

Bond and guarantee insurance contracts

Risks covered under the guarantee business are related to the client's performance capabilities to meet the requirements of projects or contracts, for which the Group issues bonds and guarantees on behalf of the clients. These include the following major classes of bonds and guarantees issued:

Performance Bond

This is a bond to secure the performance of any contract, where contract refers to any written agreement between the client and the beneficiary for the carrying out of works, performance of services or supply or provision of any goods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Classification of contracts *(cont'd)*

Advance Payment Bond
This is a bond to secure the repayment of any sum advanced by the beneficiary to the client under or for the purposes of a contract, where such sum is advanced before the carrying out of works, the performance of services or the supply or provision of any goods pursuant to such contract.

Contract Tender Bond / Bid Bond
This is a bond in respect of a tender to secure the payment of any loss or damage suffered or incurred by the beneficiary arising out of the failure by the client to enter into a contract or provide performance or other bond pursuant to such tender.

Qualifying Certificate Bond
This is a bond required in respect of land developers whose shareholding is partly or fully owned by foreign entities in Singapore.

Customs Bond
This is a bond required by the Singapore Customs and Excise Department and is mainly to ensure importers and exporters pay their custom duties promptly.

Foreign Worker Bond
This is a bond required by The Ministry Of Manpower to ensure the particular foreign worker remains within the employment of client during the term of his employment.

Tenancy / Rental Bond
This is a bond to secure the tenancy / rental deposit often required in renting a place for commercial activities.

Account Payment Bond
This is a general class of bond issued to any service provider for securing services provided to client.

2.6 Recognition and measurement of insurance contracts

Premiums and provision for unexpired risk
Gross written premiums are disclosed gross of commission payable to intermediaries (brokers) and exclude taxes and levies based on premiums. Premiums written do not include an estimate for pipeline premiums.

For short-term comprehensive credit insurance contracts, premiums are recognised when sales declarations are received. A minimum premium is received from the policyholder upfront at the commencement of the cover. This minimum premium is determined using premium rates which are adjusted according to the level of credit risk exposure to buyers. The minimum premium is not recognised as revenue but as a liability. Upon declaration of sales to buyers by the policyholder, the Group will recognise the revenue by reversing the minimum premium from the liability account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.6 Recognition and measurement of insurance contracts *(cont'd)*

For bonds and guarantees insurance contracts, premiums are recognised upon inception of risk.

The provision for unexpired risks includes unearned premiums calculated at a flat rate of 25% on the net written premiums for short-term credit insurance policies, and on a daily pro-rata basis over the policy period for long-term credit and bonds and guarantees insurance policies. An additional provision for unexpired risks is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

Fees and other charges to policyholders

Administration fees are charged to policyholders for the cost of processing and issuing bonds and guarantees. These are recognised in the income statement immediately.

Claims incurred and provision for insurance claims

Claims incurred comprises claims paid during the financial year, net of subrogation recoveries, and changes in the provision for outstanding claims.

Provision for insurance claims comprises provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and related internal and external claims handling expenses and a provision for adverse deviation ("PAD"). Provision for insurance claim is assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provision for insurance claims is discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

Whilst the management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed annually.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net losses. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Reinsurance premium expense, reinsurers' share of claims incurred and reinsurance commission income are presented in the income statement and balance sheet on a gross basis.

Reinsurance assets comprise reinsurers' share of insurance contract provisions and balances due from reinsurance companies. The amounts recognised as reinsurers' share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Balances due from reinsurance companies in respect of claims paid are included within insurance receivables on the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.6 Recognition and measurement of insurance contracts *(cont'd)*

Reinsurance assets are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Commission expense

Commission expenses paid to intermediaries (brokers) upon acquiring new and renewal insurance business.

For short-term comprehensive credit insurance contracts and bonds and guarantees, commission expenses are not amortised on a pro-rata basis over the period of the contracts.

For credit insurance contracts under which advance premium is received upfront but only earned upon achieving the pre-set minimum insured volume, the upfront commission expense paid is deferred and amortised on a pro-rata basis over the period of the contracts.

Commission income

Commission income comprises reinsurance and profit commissions received or receivable which do not require the Group to render further service. Commission income is not deferred and amortised on a pro-rata basis over the period of the contracts but are recognised in full on the effective commencement or renewal dates of the policies.

Claim recoveries

Claim recoveries represent actual subrogation recoveries received from policyholders during the year.

Liability adequacy test

The liability of the Group under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of the insurance contract provisions for gross unexpired risks and gross insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in the income statement.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.7 Property, plant and equipment *(cont'd)*

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Leasehold land	99 years
Leasehold building	30 years
Freehold residential properties	50 years
Renovations	4 years
Office equipment, furniture and fittings	2 to 6 years
Computer equipment	3 to 5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.8 Intangible assets

Goodwill

Goodwill and negative goodwill

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less impairment losses. Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associates is presented together with investments in associates.

Goodwill is tested for impairment on an annual basis as described in Note 2.10.

Other intangible asset

Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Computer software is amortised in the income statement on a straight-line basis over the estimated useful lives of 3 to 5 years, from the date on which they are available for use.

2.9 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, insurance, trade and other receivables, cash and cash equivalents, financial liabilities, insurance, trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial instruments *(cont'd)*

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, ie, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

a) Investments at fair value through profit or loss
An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost is recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

b) Held-to-maturity investments
If the Group has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

c) Available-for-sale financial assets
The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see Note 2.4), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

d) Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments
The Group used derivative financial instruments to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedging accounting are accounted for as trading investments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial instruments *(cont'd)*

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

The Group has entered into interest rate swaps, caps and floors that are used to manage the Group's exposures to interest rate risk on its borrowings. The fair value of the derivative instruments is the estimated amount that the Group would receive or pay to terminate the swap or the amount that the Group would receive by buying or selling away the caps or floors, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of foreign currency forwards is its quoted market price at the balance sheet date, being the present value of the quoted forward rate. Changes in the fair value are recognised immediately in the income statement.

Separable embedded derivatives
Changes in the value of separable embedded derivatives are recognised immediately in the income statement.

Impairment of financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.9 Financial instruments *(cont'd)*

Financial guarantees

Financial guarantees are classified as financial liabilities.

Financial guarantees are recognised initially at fair value. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

Share capital

Ordinary shares are classified as equity.

2.10 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.11 Employee benefits

Defined contributions plans

Obligations for contributions to statutory defined contribution pension plan are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.13 Revenue Recognition

Interest income

Interest income on loans, advances, hire purchase receivables and factoring accounts is recognised on the accrual basis, taking into account the effective yield of the assets. Interest income is charged principally on a monthly rest basis.

Fee and commission income

Fee and commission income are recognised in the income statement on an accrual basis.

Management fees

Management fees are recognised on an accrual basis.

Interest expense

Interest expense is recognised in the income statement on an accrual basis.

Interest income from debt securities

Interest income from debt securities is recognised and accounted for on an accrual basis.

Interest income from bank deposits

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.14 Leases

When entities within the Group are lessees of an operating lease
Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2.15 Dividends

Dividends payable on the issued ordinary shares are recognised as a liability in the financial year in which they are declared.

2.16 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.17 Assets held on trust

Assets held on a fiduciary capacity on behalf of the Group's clients are excluded from the financial statements.

2.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land $	Leasehold building $	Freehold residential properties $	Renovations $	Office equipment, furniture and fittings $	Computer equipment $	Motor vehicles $	Total $
Cost								
At 1 January 2005	12,822,498	10,510,395	494,574	670,454	1,016,402	1,253,298	15,565	26,783,186
Additions	-	-	-	2,760	24,300	150,943	-	178,003
Disposals	-	-	-	-	(16,994)	(65,368)	-	(82,362)
At 31 December 2005	**12,822,498**	**10,510,395**	**494,574**	**673,214**	**1,023,708**	**1,338,873**	**15,565**	**26,878,827**
Additions	**-**	**-**	**-**	**46,993**	**208,049**	**201,929**	**189,242**	**646,213**
Disposals	**-**	**-**	**-**	**-**	**(2,162)**	**-**	**-**	**(2,162)**
Write-off	**-**	**-**	**-**	**-**	**(2,915)**	**(1,861)**	**-**	**(4,776)**
At 31 December 2006	**12,822,498**	**10,510,395**	**494,574**	**720,207**	**1,226,680**	**1,538,941**	**204,807**	**27, 518,102**
Accumulated depreciation and impairment losses								
At 1 January 2005	1,188,997	1,973,618	381,847	606,413	898,248	1,018,153	6,755	6,074,031
Depreciation for the year	139,881	397,059	3,651	23,440	44,692	108,235	4,437	721,395
Disposals	-	-	-	-	(13,904)	(57,664)	-	(71,568)
At 31 December 2005	**1,328,878**	**2,370,677**	**385,498**	**629,853**	**929,036**	**1,068,724**	**11,192**	**6,723,858**
Depreciation for the year	**139,882**	**397,059**	**3,651**	**24,134**	**66,799**	**116,909**	**18,129**	**766,563**
Disposals	**-**	**-**	**-**	**-**	**(2,037)**	**-**	**-**	**(2,037)**
Write-off	**-**	**-**	**-**	**-**	**(2,697)**	**(1,499)**	**-**	**(4,196)**
At 31 December 2006	**1,468,760**	**2,767,736**	**389,149**	**653,987**	**991,101**	**1,184,134**	**29,321**	**7,484,188**
Carrying amount								
At 1 January 2005	11,633,501	8,536,777	112,727	64,041	118,154	235,145	8,810	20,709,155
At 31 December 2005	11,493,620	8,139,718	109,076	43,361	94,672	270,149	4,373	20,154,969
At 31 December 2006	**11,353,738**	**7,742,659**	**105,425**	**66,220**	**235,579**	**354,807**	**175,486**	**20,033,914**

3 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company	Leasehold land $	Leasehold building $	Freehold residential properties $	Renovations $	Office equipment, furniture and fittings $	Computer equipment $	Motor vehicles $	Total $
Cost								
At 1 January 2005	12,822,498	10,510,395	494,574	591,705	952,890	728,152	9,655	26,109,869
Additions	-	-	-	2,760	5,250	73,108	-	81,118
Disposals	-	-	-	-	(7,647)	(55,663)	-	(63,310)
At 31 December 2005	**12,822,498**	**10,510,395**	**494,574**	**594,465**	**950,493**	**745,597**	**9,655**	**26,127,677**
Additions	**-**	**-**	**-**	**-**	**34,071**	**41,571**	**-**	**75,642**
Disposals	**-**	**-**	**-**	**-**	**(2,162)**	**-**	**-**	**(2,162)**
At 31 December 2006	**12,822,498**	**10,510,395**	**494,574**	**594,465**	**982,402**	**787,168**	**9,655**	**26,201,157**
Accumulated depreciation and impairment losses								
At 1 January 2005	1,188,997	1,973,618	381,847	585,085	860,204	605,017	4,668	5,599,436
Depreciation for the year	139,881	397,059	3,651	3,753	32,185	65,181	1,931	643,641
Disposals	-	-	-	-	(7,196)	(50,818)	-	(58,014)
At 31 December 2005	**1,328,878**	**2,370,677**	**385,498**	**588,838**	**885,193**	**619,380**	**6,599**	**6,185,063**
Depreciation for the year	**139,882**	**397,059**	**3,651**	**2,440**	**33,078**	**49,859**	**1,931**	**627,900**
Disposals	**-**	**-**	**-**	**-**	**(2,037)**	**-**	**-**	**(2,037)**
At 31 December 2006	**1,468,760**	**2,767,736**	**389,149**	**591,278**	**916,234**	**669,239**	**8,530**	**6,810,926**
Carrying amount								
At 1 January 2005	11,633,501	8,536,777	112,727	6,620	92,686	123,135	4,987	20,510,433
At 31 December 2005	11,493,620	8,139,718	109,076	5,627	65,300	126,217	3,056	19,942,614
At 31 December 2006	**11,353,738**	**7,742,659**	**105,425**	**3,187**	**66,168**	**117,929**	**1,125**	**19,390,231**

3 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

The Company's properties consist of the following:

Location	Title	Description of properties
7 Temasek Boulevard #10-01 Singapore 038987	Leasehold (99 years from 1995)	Offices
Lot 1647, Title No. EMR 75, Mukim of Pengereng, District of Kota Tinggi, Johore	Freehold	Residential building
#14-06 Seaview Tower, Ocean Palms Klebang Besar, Malacca	Freehold	Residential apartment

4 INTANGIBLE ASSETS

	Goodwill	Computer software	Total
Group	**$**	**$**	**$**
Cost			
At 1 January 2005	-	3,958,186	3,958,186
Additions	356,941	217,709	574,650
At 31 December 2005	**356,941**	**4,175,895**	**4,532,836**
Additions	**-**	**227,028**	**227,028**
Impairment loss	**(356,941)**	**-**	**(356,941)**
Write-off	**-**	**(213,810)**	**(213,810)**
At 31 December 2006	**-**	**4,189,113**	**4,189,113**
Accumulated amortisation			
At 1 January 2005	-	3,547,978	3,547,978
Amortisation charge for the year	-	289,676	289,676
At 31 December 2005	**-**	**3,837,654**	**3,837,654**
Amortisation charge for the year	**-**	**212,857**	**212,857**
Write-off	**-**	**(132,406)**	**(132,406)**
At 31 December 2006	**-**	**3,918,105**	**3,918,105**
Carrying amount			
At 1 January 2005	-	410,208	410,208
At 31 December 2005	356,941	338,241	695,182
At 31 December 2006	**-**	**271,008**	**271,008**

4 INTANGIBLE ASSETS *(cont'd)*

Company	Computer software $
Cost	
At 1 January 2005	3,649,268
Additions	120,170
At 31 December 2005	**3,769,438**
Additions	**98,421**
At 31 December 2006	**3,867,859**
Accumulated amortisation	
At 1 January 2005	3,439,371
Amortisation charge for the year	155,465
At 31 December 2005	**3,594,836**
Amortisation charge for the year	**121,142**
At 31 December 2006	**3,715,978**
Carrying amount	
At 1 January 2005	209,897
At 31 December 2005	174,602
At 31 December 2006	**151,881**

The amortisation and impairment charge are recognised in the following line item of the consolidated income statement:

	2006 $	2005 $
General and administrative expenses	**212,857**	289,676

5 SUBSIDIARIES

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Unquoted ordinary shares, at cost	**-**	-	**46,701,811**	47,741,216
Impairment losses	**-**	-	**(425,224)**	(6,838,134)
	-	-	**46,276,587**	40,903,082

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity held by the Group 2006 %	Effective equity held by the Group 2005 %
IFS Capital Assets Private Limited	Singapore	**100**	100
IFS Ventures 2 Limited	Singapore	**100**	100
IFS Ventures Private Limited	Singapore	**100**	100
ECIL Ltd.	Singapore	**100**	100
ECGC Ltd.	Singapore	**100**	100
ECICS Limited	Singapore	**100**	100
IFS Capital (Malaysia) Sdn. Bhd.	Malaysia	**70+**	-
PT. International Factors Indonesia	Indonesia	**85+**	85+

+ Consolidation is prepared based on 100% beneficial interest.

5 SUBSIDIARIES *(cont'd)*

The principal activities of the subsidiaries are as follows:

Name of Subsidiaries	**Principal Activities**
* IFS Capital Assets Private Limited	Working capital, asset-based financing and venture capital investments
* IFS Ventures 2 Limited	Venture capital investments
* IFS Ventures Private Limited	Venture capital investments
* ECIL Ltd.	Investment holding
* ECGC Ltd.	Investment holding
* ECICS Limited	Direct general insurer, guarantee, bond and underwriting business
@ IFS Capital (Malaysia) Sdn. Bhd.	Factoring, leasing and hire purchase
# PT. International Factors Indonesia	Factoring of onshore and offshore short-term trade receivables, direct financing, operating lease and consumer financing

* Audited by KPMG Singapore
@ Audited by other member firm of KPMG International
\# Audited by Ernst and Young, Indonesia

On June 1 2006, the Company incorporated a subsidiary in Malaysia known as IFS Capital (Malaysia) Sdn. Bhd.

KPMG Singapore is the auditor of all significant Singapore-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

6 ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Unquoted shares at cost, net of impairment losses written off	**-**	-	**5,231,124**	5,226,289
Net tangible assets of associates on acquisition, net of impairment losses written off	**4,637,726**	4,634,116	**-**	-
Goodwill on consolidation	**32,973**	32,973	**-**	-
Impairment losses	**-**	-	**(1,211,578)**	(1,211,578)
	4,670,699	4,667,089	**4,019,546**	4,014,711
Exchange differences on retranslation of the net assets of foreign associates	**237,514**	(148,750)	**-**	-
Share of reserves:				
Retained earnings	**2,059,802**	876,513	**-**	-
Capital reserves	**78,973**	78,973	**-**	-
Transfer of accumulated profits	**48,869**	-	**-**	-
	127,842	78,973	**-**	-
	2,187,644	955,486	**-**	-
	7,095,857	5,473,825	**4,019,546**	4,014,711
Loans to associates	**17,257**	377	**17,257**	377
	7,113,114	5,474,202	**4,036,803**	4,015,088

During the year, the Company subscribed for 4,500 ordinary shares in the capital of a company in Thailand, IFS Capital Holdings (Thailand) Limited ("IFSCHTL"), a newly incorporated company in Thailand. Upon the subscription of the shares, the Company's shareholding in IFSCHTL is 45%, and IFSCHTL became an associated company of the Company.

Details of the associates are as follows:

Name of associates	Country of incorporation	Effective equity held by the Group 2006 %	Effective equity held by the Group 2005 %
[1] IFS Capital Holdings (Thailand) Limited	Thailand	**45.0**	-
[2] IFS Capital (Thailand) Limited (formerly known as Ayudhya International Factors Co., Ltd)	Thailand	**46.2**	46.2

[1] Audited by KPMG Thailand
[2] Audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd, Thailand

6 ASSOCIATES *(cont'd)*

An associated company is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

The summarised financial information relating to the associates is not adjusted for the percentage of ownership held by the Group.

The financial information of the associates is as follows:

	Associates	
	2006	**2005**
	$	**$**
Assets and liabilities		
Non-current assets	**3,970,454**	7,205,906
Current assets	**97,060,549**	76,891,409
Total assets	**101,031,003**	84,097,315
Non-current liabilities	**6,848,151**	1,658,074
Current liabilities	**78,819,930**	69,740,844
Total liabilities	**85,668,081**	71,398,918
Results		
Revenue	**9,332,386**	6,723,361
Profit after taxation	**1,970,753**	1,974,342

The Group's share of unused credit facilities of the associates is $3.9 million (2005: $0.87 million).

7 OTHER INVESTMENTS

	Note	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Non-current investments					
Debt securities held-to-maturity					
At amortised cost					
- quoted corporate bonds		**4,534,013**	2,060,949	**-**	-
- unquoted corporate bonds		**-**	3,090,427	**-**	-
- floating rate notes	(b)	**3,079,400**	-	**3,079,400**	-
		7,613,413	5,151,376	**3,079,400**	-
Available-for-sale investments					
At fair value					
- unquoted equity	(c)	**14,011,381**	12,322,020	**4,644,459**	4,644,459
		21,624,794	17,473,396	**7,723,859**	4,644,459
Current investments					
Debt securities held-to-maturity	(d)				
At amortised cost					
- Singapore government securities		**3,040,786**	3,987,731	**-**	-
- quoted corporate bonds		**500,000**	3,015,272	**-**	-
- unquoted corporate bonds		**3,537,933**	4,261,255	**-**	-
		7,078,719	11,264,258	**-**	-
Equity securities held-for-trading					
At fair value	(e)	**28,818,496**	32,232,590	**252,184**	5,980,612
		35,897,215	43,496,848	**252,184**	5,980,612

(a) Debt securities are principally denominated in Singapore dollars. Equity securities are principally held in companies with Singapore dollars as their functional currency.

(b) Floating rate notes ("FRN") are principally denominated in US dollars. The FRN has an interest rate of 6-month LIBOR plus 2.65% per annum and interest is received half-yearly commencing October 2006 and matures in April 2009. The repayment of principal is scheduled at 20% to 27% of the principal outstanding via four instalment repayments commencing October 2007.

(c) An impairment loss of $705,690 (2005: $386,725) in respect of available-for-sale unquoted equity securities was recognised during the year due to significant financial difficulties experienced by the issuers of some of these securities.

(d) Held-to-maturity debt securities have interest rates of 3.3% to 4.6% (2005: 1.4% to 4.6%) per annum and mature in 1 to 2 years.

7 OTHER INVESTMENTS *(cont'd)*

(e) Certain equity securities quoted on the SGX-ST with a fair value of $2,520,790 are subject to a staggered moratorium on trading on the SGX-ST and are freely tradeable with effect from 15 March 2007. In arriving at the fair value of these equity securities, the Company has used the quoted bid price at the balance sheet date to compute the fair value.

The weighted average effective interest rates per annum of debt securities at the reporting date and the periods in which they mature are as follows:

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Fixed interest rate maturing within 1 year	in 1 to 5 years	after 5 years	Non interest-earning	Total
Group	**%**	**$**	**$**	**$**	**$**	**$**
2006						
Debt securities held-to-maturity						
Singapore government securities	**3.1**	**3,040,786**	**–**	**–**	**–**	**3,040,786**
Quoted corporate bonds	**3.5**	**500,000**	**4,534,013**	**–**	**–**	**5,034,013**
Unquoted corporate bonds	**4.1**	**3,537,933**	**–**	**–**	**–**	**3,537,933**
Floating rate note	**8.0**	**3,079,400**	**–**	**–**	**–**	**3,079,400**
		10,158,119	**4,534,013**	**–**	**–**	**14,692,132**
2005						
Debt securities held-to-maturity						
Singapore government securities	2.2	3,987,731	–	–	–	3,987,731
Quoted corporate bonds	3.3	3,015,272	2,060,949	–	–	5,076,221
Unquoted corporate bonds	3.6	4,261,255	3,090,427	–	–	7,351,682
		11,264,258	5,151,376	–	–	16,415,634

8 STAFF LOANS

	Note	Group 2006	Group 2005	Company 2006	Company 2005
		$	**$**	**$**	**$**
Due within 12 months	16	**13,222**	18,275	**13,222**	18,275
Due after 12 months		**–**	13,222	**–**	13,222
		13,222	31,497	**13,222**	31,497

The loans granted by the Company under the car and housing benefit schemes are for employees of the Group, including executive directors of the Group and the Company. The schemes were approved by the shareholders at the Annual General Meeting held on 21 June 1995 and the Extraordinary General Meeting held on 8 June 1999.

8 STAFF LOANS *(cont'd)*

Effective interest rates and repricing analysis:

Group and Company	Weighted average effective interest rate %	Fixed interest rate maturing within 1 year $	in 1 to 5 years $	after 5 years $	Non interest-earning $	Total $
2006						
Staff loans	**4.0**	**13,222**	**–**	**–**	**–**	**13,222**
2005						
Staff loans	4.0	18,275	13,222	–	–	31,497

9 LOANS, ADVANCES AND HIRE PURCHASE RECEIVABLES

	Note	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Hire purchase receivables	10	**58,699,866**	50,201,626	**58,569,905**	50,040,026
Loans and advances		**157,514,464**	186,493,819	**140,638,995**	169,426,390
		216,214,330	236,695,445	**199,208,900**	219,466,416
Allowance for impairment of doubtful receivables					
- hire purchase receivables		**(1,141,571)**	(871,618)	**(1,011,610)**	(719,118)
- loans and advances		**(11,462,400)**	(11,835,257)	**(9,249,713)**	(8,670,282)
		(12,603,971)	(12,706,875)	**(10,261,323)**	(9,389,400)
		203,610,359	223,988,570	**188,947,577**	210,077,016
Due within 12 months	14	**120,520,963**	130,851,521	**113,442,264**	123,814,576
Due after 12 months		**83,089,396**	93,137,049	**75,505,313**	86,262,440
		203,610,359	223,988,570	**188,947,577**	210,077,016

9 LOANS, ADVANCES AND HIRE PURCHASE RECEIVABLES *(cont'd)*

Group

Included in the loans, advances and receivables is an amount of $6,360,278 (2005: $7,974,352) less allowance for impairment of $1,608,621 (2005: $1,417,216) with an entity in which the Group has a 10% (2005: 10%) equity interest.

Loans, advances and hire purchase receivables denominated in currencies other than the Company's functional currency comprise $36,415,057 (2005: $51,377,723) denominated in US dollars and $10,745,328 (2005: $11,941,643) denominated in Euro.

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	in 1 to 5 years	after 5 years	Total
Group	**%**	**$**	**$**	**$**	**$**	**$**
2006						
Loans, advances and receivables						
- fixed rate	**6.9**	**-**	**37,768,133**	**43,168,486**	**-**	**80,936,619**
- variable rate	**7.0**	**122,673,740**	**-**	**-**	**-**	**122,673,740**
		122,673,740	**37,768,133**	**43,168,486**	**-**	**203,610,359**
2005						
Loans, advances and receivables						
- fixed rate	6.4	-	36,076,650	43,381,103	-	79,457,753
- variable rate	7.0	144,530,817	-	-	-	144,530,817
		144,530,817	36,076,650	43,381,103	-	223,988,570

9 LOANS, ADVANCES AND HIRE PURCHASE RECEIVABLES *(cont'd)*

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing in 1 to 5 years	Fixed interest rate maturing after 5 years	Total
Company	%	$	$	$	$	$
2006						
Loans, advances and receivables						
- fixed rate	**6.8**	**-**	**36,908,555**	**42,926,917**	**-**	**79,835,472**
- variable rate	**7.0**	**109,112,105**	**-**	**-**	**-**	**109,112,105**
		109,112,105	**36,908,555**	**42,926,917**	**-**	**188,947,577**
2005						
Loans, advances and receivables						
- fixed rate	6.4	-	36,076,650	43,381,103	-	79,457,753
- variable rate	7.1	130,619,263	-	-	-	130,619,263
		130,619,263	36,076,650	43,381,103	-	210,077,016

Variable rate loans and advances are repriced at intervals of three or six months.

The above loans, advances and receivables are reflected net of allowance for impairment of doubtful receivables.

10 HIRE PURCHASE

	Group 2006	Group 2005	Company 2006	Company 2005
	$	$	$	$
Within 1 year	**24,409,702**	23,009,672	**24,369,702**	22,968,072
After 1 year but within 5 years	**34,290,164**	27,191,954	**34,200,203**	27,071,954
	58,699,866	50,201,626	**58,569,905**	50,040,026

Interest is levied on outstanding principal at monthly rest.

The Group's leasing arrangements comprise hire purchase contracts mainly for machineries.

11 DEFERRED TAX

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1/1/2006	(Credited)/ Charged to income statement (Note 34)	At 31/12/2006
	$	$	$
Group			
Deferred tax liabilities			
Property, plant and equipment	138,986	(24,440)	**114,546**
Trade and other receivables	32,336	(8,658)	**23,678**
Trade and other payables	(8,799)	(1,234)	**(10,033)**
Dividend not remitted to Singapore	134,802	192,536	**327,338**
	297,325	158,204	**455,529**
Deferred tax assets			
Loans, advances and hire purchase receivables	(1,623,906)	(795,282)	**(2,419,188)**
Factoring receivables	(717,250)	(195,898)	**(913,148)**
Others	-	(17,752)	**(17,752)**
	(2,341,156)	(1,008,932)	**(3,350,088)**

	At 1/1/2005	Effect of FRS 39	(Credited)/ Charged to income statement (Note 34)	At 31/12/2005
	$	$	$	$
Group				
Deferred tax liabilities				
Property, plant and equipment	132,724	-	6,262	138,986
Trade and other receivables	62,862	-	(30,526)	32,336
Trade and other payables	(13,978)	7,211	(2,032)	(8,799)
Dividend not remitted to Singapore	-	-	134,802	134,802
	181,608	7,211	108,506	297,325
Deferred tax assets				
Loans, advances and hire purchase receivables	(1,837,176)	(185,489)	398,759	(1,623,906)
Factoring receivables	(750,070)	-	32,820	(717,250)
	(2,587,246)	(185,489)	431,579	(2,341,156)

11 DEFERRED TAX *(cont'd)*

Deferred tax assets and liabilities of the Company (prior to offsetting of balances) are attributable to the following:

	Company	
	At 31/12/2006	At 31/12/2005
	$	$
Company		
Deferred tax liabilities		
Property, plant and equipment	**60,031**	70,220
	60,031	70,220
Deferred tax assets		
Loans, advances and hire purchase receivables	**(2,419,188)**	(1,623,906)
Factoring receivables	**(913,147)**	(717,250)
	(3,332,335)	(2,341,156)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the balance sheets as follows:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Deferred tax assets	**3,290,057**	2,270,936	**3,272,304**	2,270,936
Deferred tax liabilities	**395,498**	227,105	**-**	-

11 DEFERRED TAX *(cont'd)*

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2006	**2005**
	$	**$**
Property, plant and equipment	**(65,490)**	(250)
Loans, advances and hire purchase receivables	**2,018,690**	2,000,964
Unabsorbed capital allowances	**74,084**	-
Tax losses	**3,008,180**	2,365,314
	5,035,464	4,366,028
Net deferred tax at 20% (2005: 20%)	**1,007,093**	873,206

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

12 INSURANCE CONTRACT PROVISIONS

	Group	
	2006	**2005**
	$	**$**
Reinsurers' share of insurance contract provisions		
- Unexpired risks	**21,408,000**	26,741,000
- Insurance claims	**2,342,000**	1,648,000
	23,750,000	28,389,000

12 INSURANCE CONTRACT PROVISIONS *(cont'd)*

Unexpired risks

	2006			2005		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Group						
At 1 January	**35,100,000**	**(26,741,000)**	**8,359,000**	36,488,000	(29,138,000)	7,350,000
Change during the year	**(6,580,000)**	**5,333,000**	**(1,247,000)**	(1,388,000)	2,397,000	1,009,000
At 31 December	**28,520,000**	**(21,408,000)**	**7,112,000**	35,100,000	(26,741,000)	8,359,000

Insurance claims

	2006			2005		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Group						
At 1 January	**8,963,000**	**(1,648,000)**	**7,315,000**	8,796,000	(1,663,000)	7,133,000
Change in specific reserves for reported claims	**2,532,551**	**(1,267,041)**	**1,265,510**	(620,719)	163,265	(457,454)
Changes in incurred-but-not-reported losses	**(1,150,551)**	**573,041**	**(577,510)**	787,719	(148,265)	639,454
At 31 December	**10,345,000**	**(2,342,000)**	**8,003,000**	8,963,000	(1,648,000)	7,315,000
Claims paid	**1,995,558**	**(1,382,954)**	**612,604**	1,336,412	(454,779)	881,633
Claims recovered	**(401,510)**	**273,345**	**(128,165)**	(318,165)	115,426	(202,739)
Net claims paid/ (recovered)	**1,594,048**	**(1,109,609)**	**484,439**	1,018,247	(339,353)	678,894

13 INSURANCE RECEIVABLES

	Group	
	2006	2005
	$	$
Receivables arising from insurance contracts	**1,750,993**	1,374,421
Allowance for doubtful receivables	**(618,860)**	(18,019)
	1,132,133	1,356,402
Reinsurance contract receivables	**1,875,438**	1,223,906
	3,007,571	2,580,308

Insurance receivables are non interest-earning.

Receivables arising from insurance contracts denominated in currencies other than the Company's functional currency amounts to $813,269 (2005: $83,537) of insurance receivables denominated in US dollars and $37,738 (2005: $1,611) denominated in various other foreign currencies.

14 TRADE AND OTHER RECEIVABLES

		Group		Company	
		2006	2005	2006	2005
		$	$	$	$
Loans, advances and hire purchase receivables	9	**120,520,963**	130,851,521	**113,442,264**	123,814,576
Factoring receivables	15	**111,111,513**	140,684,946	**108,666,264**	140,684,946
Amount owing by minority shareholders		**101,008**	95,529	**974,631**	95,529
Loan owing by subsidiaries					
- trade		**-**	-	**6,141,281**	3,691,063
- non-trade		**-**	-	**101,975**	-
Amount due from affiliated company		**-**	22	**-**	22
Other receivables and prepayments	16	**3,975,608**	3,256,769	**2,900,345**	2,186,498
Deposits relating to collaterals of clients		**-**	38,448,061	**-**	-
		235,709,092	313,336,848	**232,226,760**	270,472,634

The amount owing by minority shareholders is unsecured, interest-free and is repayable on demand.

The loans owing by subsidiaries (trade) are unsecured, interest-bearing and are repayable on demand. There are no allowances for doubtful debts arising from the outstanding balances.

During the year, the Group has revised the existing guarantee facility letters so that the deposits relating to collaterals of the clients are placed in separate trust sub-accounts operated exclusively for the receipt of the customer deposit and only for designated purposes. Consequently, the deposits relating to collaterals of the clients have been derecognised for accounting purposes; a new accounting policy (Note 2.17) has been adopted.

14 TRADE AND OTHER RECEIVABLES *(cont'd)*

Effective interest rates and repricing analysis:

Company	Weighted average effective interest rate %	Floating rate $	Fixed interest rate maturing within 1 year $	in 1 to 5 years $	after 5 years $	Non interest-earning $	Total $
2006							
Loans owing by subsidiaries							
- fixed rate	**4.8**	**-**	**1,658,578**	**-**	**-**	**-**	**1,658,578**
- variable rate	**5.8**	**4,482,703**	**-**	**-**	**-**	**101,975**	**4,584,678**
Other receivables and amounts owing by minority shareholders (excluding prepayments and staff loans)	**2.2**	**1,944,509**	**-**	**-**	**-**	**1,628,754**	**3,573,263**
		6,427,212	**1,658,578**	**-**	**-**	**1,730,729**	**9,816,519**
2005							
Loans owing by subsidiaries							
- fixed rate	3.4	-	1,603,938	-	-	-	1,603,938
- variable rate	6.0	2,087,125	-	-	-	-	2,087,125
Other receivables and amounts owing by minority shareholders (excluding prepayments and staff loans)	1.5	940,831	-	-	-	1,163,720	2,104,551
		3,027,956	1,603,938	-	-	1,163,720	5,795,614

Group

Effective interest rate and repricing analysis for loans, advances and hire purchase receivables and factoring receivables are as set out in Notes 9 and 15 respectively.

15 FACTORING RECEIVABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Factoring receivables	**195,411,778**	236,855,195	**191,864,591**	236,855,195
Less:				
Factoring amounts owing to clients	**(78,694,035)**	(90,661,032)	**(77,609,613)**	(90,661,032)
	116,717,743	146,194,163	**114,254,978**	146,194,163
Allowance for doubtful receivables	**(5,606,230)**	(5,509,217)	**(5,588,714)**	(5,509,217)
	111,111,513	140,684,946	**108,666,264**	140,684,946

Included in the factoring receivables is a factoring facility given by the Group's subsidiary amounting to Rupiah 13.6 billion equivalent to S$2,380,000 (2005: S$Nil) to an entity in Indonesia, in which a director of the Group has a deemed interest. The interest chargeable on the facility is based on the subsidiary's cost of funds plus 4% (2005: Nil).

Factoring receivables denominated in currencies other than the Company's functional currency comprise $74,997,440 (2005: $90,513,923) denominated in US dollars, $8,200,777 (2005: $31,758,294) denominated in Euro and $153,579 (2005: $9,375) denominated in various other foreign currencies.

15 FACTORING RECEIVABLES *(cont'd)*

The weighted average interest rates of factoring receivables net of factoring amounts owing to clients included in Trade and Other Payables of $22,247,543 (2005: $29,369,746) (refer to Note 23) for the Group and Company and allowance for doubtful receivables at the balance sheet date and the periods in which they reprice are as follows:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing in 1 to 5 years	Fixed interest rate maturing after 5 years	Total
	%	$	$	$	$	$
Group						
2006						
Factoring receivables, net						
- fixed rate	**6.3**	**-**	**18,936,387**	**-**	**-**	**18,936,387**
- variable rate	**8.0**	**69,927,583**	**-**	**-**	**-**	**69,927,583**
		69,927,583	**18,936,387**	**-**	**-**	**88,863,970**
2005						
Factoring receivables, net						
- fixed rate	6.0	-	28,099,996	-	-	28,099,996
- variable rate	7.4	83,215,204	-	-	-	83,215,204
		83,215,204	28,099,996	-	-	111,315,200
Company						
2006						
Factoring receivables, net						
- fixed rate	**6.3**	**-**	**18,936,387**	**-**	**-**	**18,936,387**
- variable rate	**7.7**	**67,482,334**	**-**	**-**	**-**	**67,482,334**
		67,482,334	**18,936,387**	**-**	**-**	**86,418,721**
2005						
Factoring receivables, net						
- fixed rate	6.0	-	28,099,996	-	-	28,099,996
- variable rate	7.4	83,215,204	-	-	-	83,215,204
		83,215,204	28,099,996	-	-	111,315,200

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Deposits					
- own deposits		**16,776**	2,550	**5,420**	1,060
- deposits held on behalf of clients		**1,944,509**	940,831	**1,944,509**	940,831
- deposits lodged with Monetary Authority of Singapore		**500,000**	500,000	**-**	-
- retention sum		**573,818**	560,715	**573,818**	560,715
		3,035,103	2,004,096	**2,523,747**	1,502,606
Prepayments		**535,570**	481,229	**288,491**	159,223
Accrued interest receivable		**198,018**	267,785	**-**	103,344
Staff loans	8	**13,222**	18,275	**13,222**	18,275
Other receivables:					
Gross receivables		**474,049**	783,747	**351,260**	678,625
Allowance for doubtful receivables		**(280,354)**	(298,363)	**(276,375)**	(275,575)
Other receivables, net		**193,695**	485,384	**74,885**	403,050
		3,975,608	3,256,769	**2,900,345**	2,186,498

The deposit with Monetary Authority of Singapore ("MAS") consists of a fixed deposit lodged with the MAS under the Insurance Act, Chapter 142.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company					
	2006			2005		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
	$	$	$	$	$	$
Interest rate swap	**-**	**-**	**-**	10,000,000	-	(12,005)
Interest rate caps and floors	**20,000,000**	**155,283**	**-**	20,000,000	220,008	-
	20,000,000	**155,283**	**-**	30,000,000	220,008	(12,005)
Foreign currency swap	**2,027,785**	**-**	**(1,073)**	-	-	-

As at 31 December 2005, the interest rate swap was a 6-month swap offer rate ("SOR") in arrears on a notional amount of $10 million for a 3 year period commencing 30 September 2003 and matured on 1 July 2006.

The interest period for caps and floors is fixed at 3-month SGD SOR on a notional amount of $20 million for a 3 year period commencing on 30 September 2005 and maturing on 30 September 2008 and it is capped at 3% with a floor of 2%.

The foreign currency swaps matured on 4 January 2007.

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Cash at banks and in hand	**13,580,448**	12,842,671	**3,648,681**	7,370,437
Fixed deposits	**11,922,202**	14,676,151	**–**	–
Cash and cash equivalents in the balance sheets	**25,502,650**	27,518,822	**3,648,681**	7,370,437
Bank overdrafts (unsecured)	**–**	(85,674)	**–**	(82,457)
Cash and cash equivalents in the consolidated statement of cash flows	**25,502,650**	27,433,148		

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	in 1 to 5 years	after 5 years	Non interest-earning	Total
	%	$	$	$	$	$	$
Group							
2006							
Cash at banks and in hand	**0.3**	**3,635,242**	**–**	**–**	**–**	**9,945,206**	**13,580,448**
Fixed deposits	**4.3**	**–**	**11,922,202**	**–**	**–**	**–**	**11,922,202**
		3,635,242	**11,922,202**	**–**	**–**	**9,945,206**	**25,502,650**
2005							
Cash at banks and in hand	1.4	7,194,408	–	–	–	5,648,263	12,842,671
Fixed deposits	2.9	–	14,676,151	–	–	–	14,676,151
		7,194,408	14,676,151	–	–	5,648,263	27,518,822
Company							
2006							
Cash at banks and in hand	**1.3**	**2,912,479**	**–**	**–**	**–**	**736,202**	**3,648,681**
2005							
Cash at banks and in hand	1.4	7,194,408	–	–	–	176,029	7,370,437

19 SHARE CAPITAL

	Company No. of Shares	
	2006	**2005**
At 1 January	**103,297,136**	103,297,136
Exercise of share options	**197,600**	-
At 31 December	**103,494,736**	103,297,136

Pursuant to the Employees Share Option Scheme ("ESOS") (see Note 20), an additional 197,600 (2005: Nil) Ordinary Shares were issued during the year.

On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006:

(a) the concept of authorised share capital was abolished;

(b) shares of the Company ceased to have par value; and

(c) the amount standing to the credit of the Company's share premium account became part of the Company's share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

20 EMPLOYEE SHARE OPTIONS

IFS (2000) Share Option Scheme ("2000 Scheme")

Under the 2000 Scheme, the subscription price shall be determined by the Committee administering the Scheme at:

(a) daily weighted average price for the ordinary share as determined by reference to the daily official list published by the SGX-ST for the 3 consecutive trading days immediately preceding the date of grant of the option ("Market Price"); or

(b) a price which is set at a maximum discount of 20% of the Market Price.

All options are settled by physical delivery of shares to The Central Depository (Pte) Limited.

20 EMPLOYEE SHARE OPTIONS *(cont'd)*

The option can be exercised during the following period:

Type of options	Exercise period
Option with subscription price fixed at Market Price granted to: • Participants other than Non-Executive Directors • Non-Executive Directors	 • 12 to 120 months from date of grant • 12 to 60 months from date of grant
Option with subscription price fixed at a discount to the Market Price granted to: • Participants other than Non-Executive Directors • Non-Executive Directors	 • 24 to 120 months from date of grant • 24 to 60 months from date of grant

The Schemes are administered by the Executive Resource and Compensation Committee ("Committee") which comprises the following Non-Executive Directors:

Lim How Teck (Chairman)	Independent
Lim Hua Min	Non-Independent
Gabriel Teo Chen Thye	Independent
Lim Jit Poh (resigned on 2 May 2006)	Independent

20 EMPLOYEE SHARE OPTIONS *(cont'd)*

At the end of the financial year, unissued shares of the Company under options granted to eligible employees of the Company under the IFS (2000) Share Option Scheme ("2000 Scheme") are as follows:

Date of grant of Option	Options outstanding as at 1/1/2006	Options granted	Options exercised	Options cancelled/ lapsed	Options balance as at 31/12/2006	Options exercisable as at 1/1/2006	Options exercisable as at 31/12/2006	Exercise price for all Options	Proceeds on exercise of Options during the year credited to share capital	Market price of shares at exercise date of Option	Exercise dates for Options exercised during the year	Exercise period
2000 Scheme												
07/11/2000	119,100	-	(61,800)	-	57,300	119,100	57,300	$0.50	30,900	$0.80-$0.89	02/03/06-13/04/06	08/11/2001 – 06/11/2010
11/05/2001	60,000	-	(60,000)	-	-	60,000	-	$0.50	30,000	$0.85	04/04/06	12/05/2002 – 10/05/2006
11/05/2001	118,200	-	(75,800)	-	42,400	118,200	42,400	$0.50	37,900	$0.80-$0.89	02/03/06-17/04/06	12/05/2002 – 10/05/2011
	297,300	-	(197,600)	-	99,700	297,300	99,700		98,800			

Options exercised in 2006 resulted in 197,600 shares being issued at a weighted average exercise price of $0.50 each. The weighted average share price during the year was $0.81 per share. No options were exercised in 2005.

Under transitional provision of FRS 102 Share-based Payment, the recognition and measurement principles in FRS 102 have not been applied to all of the above share options as all the share options were granted to eligible employees prior to 22 November 2002.

The weighted average remaining contractual life of the options is 4.1 years (2005: 4.1 years).

21 RESERVES

Other reserves comprise:

	Group	
	2006	2005
	$	$
Capital reserves	**127,842**	786,973
Currency translation reserve	**378,820**	(150,447)
	506,662	636,526

Capital reserves
The capital reserves comprise statutory legal reserves of an associate.

Currency translation reserve
The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities.

Accumulated profits
The accumulated profits of the Group include an amount of $2,059,802 (2005: $876,513) attributable to associates (refer to Note 6).

Dividends
After the balance sheet date, the directors proposed the following dividends which have not been provided for:

	Company	
	2006	2005
	$	$
First and final dividend proposed of 5.0 cents (2005: 5.0 cents) per share less tax at 18% (2005 : 20%)	**4,243,284**	4,139,789
Bonus dividend proposed of 12.5 cents (2005: Nil) per share less tax at 18% (2005 : 20%)	**10,608,210**	-
	14,851,494	4,139,789

22 INTEREST-BEARING BORROWINGS

	Group and Company	
	2006	2005
	$	$
Payable:		
Within 12 months	**139,736,274**	254,520,056
After 12 months	**112,333,614**	48,357,807
	252,069,888	302,877,863

22 INTEREST-BEARING BORROWINGS *(cont'd)*

The interest-bearing borrowings comprise:

		Group and Company			
		2006		2005	
	Note	Face value	Carrying amount	Face value	Carrying amount
		$	$	$	$
Unsecured short-term bank loans	(a)	**44,675,301**	**44,675,301**	91,927,272	91,927,272
Short term fixed rate notes	(b)	**45,000,000**	**45,000,000**	15,000,000	15,000,000
Short term variable rate notes	(c)	**15,000,000**	**15,000,000**	50,000,000	50,000,000
Unsecured long-term bank loan		**-**	**-**	5,000,000	5,000,000
Unsecured long-term bank loans	(d)	**34,258,325**	**34,258,325**	34,923,485	34,923,485
Unsecured long-term bank loan	(e)	**15,397,000**	**15,397,000**	-	-
Unsecured SPRING & IES loans	(f)	**52,739,262**	**52,739,262**	56,066,558	56,066,558
Floating rate notes	(g)	**-**	**-**	49,960,548	49,960,548
Floating rate note	(h)	**30,000,000**	**30,000,000**	-	-
Fixed rate notes	(i)	**15,000,000**	**15,000,000**	-	-
		252,069,888	**252,069,888**	302,877,863	302,877,863

(a) Unsecured short-term bank loans bear nominal interest rates ranging from 4.2% to 6.1% (2005: 2.7% to 5.1%) per annum and are repayable in 2007.

(b) Short term fixed rate notes bear nominal interest rates ranging from 3.8% to 4.0% (2005: 3.0%) per annum and are repayable in 2007.

(c) Short term variable rate notes bear nominal interest rate of 4.0% (2005: 2.6%) per annum and are repayable in 2007.

(d) The bank loans bear nominal interest rates ranging from 6.1% to 6.3% (2005: 3.0% to 5.3%) per annum and are repayable by bullet repayment in 2008.

(e) The bank loan bears nominal interest at a rate of 6.1% (2005: Nil) per annum and is repayable by bullet repayment in 2011.

(f) These represent unsecured advances from SPRING Singapore and International Enterprise Singapore ("IES") to fund loans and advances extended by the Group and the Company to borrowers under the Local Enterprise Finance Scheme ("LEFS") and Regionalisation Finance Scheme ("RFS") respectively. Credit risk for loans and advances made under these schemes are shared by the providers of these borrowings and the Group.

The interest rates and repayment periods vary in accordance with the type, purpose and security for the facilities granted under the above schemes. Nominal interest on the above loans and advances ranged from 1.8% to 6.9% (2005: 1.8% to 6.0%) per annum, and are repayable between 2007 and 2010.

22 INTEREST-BEARING BORROWINGS *(cont'd)*

(g) The unsecured floating rate notes ("FRN") were issued at the price of 99.4% of the principal amounts. Nominal interest is payable every 6 months from the date of issue of the FRN, being 29 May 2003 at 4.2% (2005: 4.2%) per annum. The FRN was repaid in 2006.

	Group and Company	
	2006	**2005**
	$	**$**
FRN (unsecured)	**50,000,000**	50,000,000
Less:		
Unamortised discount:		
At 1 January	**39,452**	139,452
Amortisation for the year	**(39,452)**	(100,000)
At 31 December	**-**	39,452
Repayment during the year	**(50,000,000)**	-
	-	49,960,548

(h) The floating rate note bears nominal interest rate of 4.3% (2005: Nil) per annum and are repayable by bullet repayment in 2009.

(i) The fixed rate notes bear nominal interest rate of 4.4% (2005: Nil) per annum and are repayable by bullet repayment in 2009.

22 INTEREST-BEARING BORROWINGS *(cont'd)*

Effective interest rates and repricing analysis:

Group & Company	Weighted average effective interest rate %	Floating rate $	Fixed interest rate maturing within 1 year $	in 1 to 5 years $	after 5 years $	Total $
2006						
Unsecured short-term bank loans	**5.2**	**44,675,301**	**–**	**–**	**–**	**44,675,301**
Short term fixed rate notes	**3.9**	**–**	**45,000,000**	**–**	**–**	**45,000,000**
Short term variable note	**4.0**	**15,000,000**	**–**	**–**	**–**	**15,000,000**
Unsecured long-term bank loans	**6.3**	**34,258,325**	**–**	**–**	**–**	**34,258,325**
Unsecured long-term bank loan	**6.1**	**15,397,000**	**–**	**–**	**–**	**15,397,000**
Unsecured SPRING & IES loans	**4.0**	**–**	**35,060,973**	**17,678,289**	**–**	**52,739,262**
Floating rate note	**4.3**	**30,000,000**	**–**	**–**	**–**	**30,000,000**
Fixed rate notes	**4.4**	**–**	**–**	**15,000,000**	**–**	**15,000,000**
		139,330,626	**80,060,973**	**32,678,289**	**–**	**252,069,888**
2005						
Unsecured short-term bank loans	4.7	91,927,272	-	-	-	91,927,272
Short term fixed rate notes	3.0	-	15,000,000	-	-	15,000,000
Short-term variable rate notes	2.6	50,000,000	-	-	-	50,000,000
Unsecured long-term bank loans						
- fixed rate	2.9	-	5,000,000	-	-	5,000,000
- floating rate	4.5	34,923,485	-	-	-	34,923,485
Unsecured SPRING loans	3.5	-	42,632,236	13,434,322	-	56,066,558
Floating rate notes	4.2	49,960,548	-	-	-	49,960,548
		226,811,305	62,632,236	13,434,322	-	302,877,863

23 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2006	2005	2006	2005
		$	$	$	$
Factoring amounts owing to clients		**22,247,543**	29,369,746	**22,247,543**	29,369,746
Trade payables		**242,400**	286,028	**234,215**	286,028
Amounts and loans due to subsidiary					
- non-trade		**-**	-	**126,923**	40,990
- interest-bearing loans		**-**	-	**5,318,449**	3,486,201
Amounts owing to affiliates		**-**	10,416	**-**	-
Other payables and accruals	24	**16,252,210**	13,577,139	**8,202,333**	7,859,898
Deposit relating to collaterals of clients	14	**-**	38,448,061	**-**	-
		38,742,153	81,691,390	**36,129,463**	41,042,863

Company

Trade payables denominated in currencies other than the Company's functional currency comprise $23,968,047 (2005: $7,600,835) denominated in US dollars, $115,439 (2005: $3,798,401) denominated in Euro and $206,698 (2005: $52,611) denominated in various other foreign currencies.

The non interest-bearing loans and the non-trade amounts owing to subsidiaries are unsecured and are repayable on demand.

The interest-bearing loans owing to subsidiaries are unsecured, and are repayable on demand. Transactions with related parties are unsecured and priced on an arm's length basis.

23 TRADE AND OTHER PAYABLES *(cont'd)*

Effective interest rates and repricing analysis:

Company	Weighted average effective interest rate %	Floating rate $	Fixed interest rate maturing within 1 year $	in 1 to 5 years $	after 5 years $	Non interest-earning $	Total $
2006							
Amounts and loans owing to subsidiary	**4.4**	**5,318,449**	**–**	**–**	**–**	**126,923**	**5,445,372**
Trade payables		**–**	**–**	**–**	**–**	**234,215**	**234,215**
Other payables and accruals		**–**	**–**	**–**	**–**	**8,202,333**	**8,202,333**
		5,318,449	**–**	**–**	**–**	**8,563,471**	**13,881,920**
2005							
Amounts and loans owing to subsidiaries	3.3	3,486,201	–	–	–	40,990	3,527,191
Trade payables		–	–	–	–	286,028	286,028
Other payables and accruals		–	–	–	–	7,859,898	7,859,898
		3,486,201	–	–	–	8,186,916	11,673,117

Group
For factoring amounts owing to clients, please refer to Note 15 to the financial statements. Trade payables, other payables and accruals are non interest-bearing financial liabilities.

24 OTHER PAYABLES AND ACCRUALS

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Accrued operating expenses	**12,250,685**	10,457,779	**4,200,808**	4,740,538
Deferred income	**77,762**	279,959	**77,762**	279,959
Clients' security deposits	**1,944,509**	940,831	**1,944,509**	940,831
Accrued interest payable	**1,979,254**	1,898,570	**1,979,254**	1,898,570
	16,252,210	13,577,139	**8,202,333**	7,859,898

25 INSURANCE PAYABLE

	Group	
	2006	2005
	$	$
Payables arising from insurance contracts	**2,596,530**	2,879,383
Reinsurance contract payables	**2,084,824**	4,207,473
	4,681,354	7,086,856

26 INTEREST INCOME

	Group	
	2006	2005
	$	$
Associates	**44,454**	103,807
Third parties	**24,488,560**	21,453,641
	24,533,014	21,557,448

27 INTEREST EXPENSE

	Group	
	2006	2005
	$	$
Banks	**12,270,440**	8,767,950

28 INCOME STATEMENT OF SUBSIDIARY - ECICS LIMITED

	Note	Group 2006 $	Group 2005 $
Revenue			
Gross written premiums		**8,070,790**	13,749,059
Change in gross provision for unexpired risks	12	**6,580,000**	1,388,000
Gross earned premium revenue		**14,650,790**	15,137,059
Written premiums ceded to reinsurers		**(4,548,706)**	(7,259,929)
Reinsurers' share of change in the provision for unexpired risks	12	**(5,333,000)**	(2,397,000)
Reinsured premium expenses		**(9,881,706)**	(9,656,929)
Net earned premium revenue		**4,769,084**	5,480,130
Other revenue			
Commission income		**1,319,143**	1,804,157
Investment income		**4,365,934**	4,021,468
Other operating income		**87,325**	165,650
		5,772,402	5,991,275
Net income before claims and expenses		**10,541,486**	11,471,405
Claims and expenses			
Change in provision for insurance claims		**(1,382,000)**	(167,000)
Reinsurers' share of change in provision for insurance claims		**694,000**	(15,000)
Gross claims paid	12	**(1,594,048)**	(1,018,247)
Reinsurers' share of claims recovered	12	**1,109,609**	339,353
Net claims incurred		**(1,172,439)**	(860,894)
Commission expenses		**(646,826)**	(1,164,107)
Investment expenses		**(337,135)**	(71,072)
Distribution expenses		**(424,192)**	(380,099)
Administration expenses		**(3,104,537)**	(2,908,801)
Impairment losses on insurance and other receivables		**(601,100)**	-
Total claims and expenses		**(6,286,229)**	(5,384,973)
Net profit before tax for the year		**4,255,257**	6,086,432

The income statement reflects the credit insurance, bonds and guarantee businesses of the insurance subsidiary, ECICS, that are consolidated in the Group's income statement. All intra-group transactions relating to credit premium income and expenses are eliminated on consolidation.

29 FEE AND COMMISSION INCOME

	Group	
	2006	2005
	$	$
Fee income	**5,850,955**	5,997,017
Underwriting commission income	**1,319,142**	1,804,157
	7,170,097	7,801,174

30 INVESTMENT INCOME

	Group	
	2006	2005
	$	$
Exchange (loss)/gain	**(274,668)**	55,241
Dividend income	**414,624**	317,312
Gain on disposal of equity securities		
- held-for-trading	**1,185,839**	2,196,688
- available-for-sale	**-**	823,830
Unrealised gain on equity securities held-for-trading	**2,586,943**	1,326,291
Investment income		
– bonds	**753,289**	616,150
– unquoted available-for-sale investment	**342,415**	-
Interest income		
- fixed deposits	**275,423**	14,271
- held-to-maturity debt securities	**179,922**	-
Amortisation of held-to-maturity debt securities	**(107,957)**	(153,160)
Fees paid to fund manager	**(337,135)**	(71,072)
	5,018,695	5,125,551

31 OTHER INCOME

	Group 2006 $	Group 2005 $
Negative goodwill arising from acquisition of investment business	**-**	1,638,422
Management fees received	**29,000**	59,851
Gain/(loss) on disposal of property, plant and equipment	**41**	(3,810)
Recoveries – loans and advances	**118,850**	304,277
Write back of unquoted equity securities available-for-sale previously written off	**-**	15,267
Others	**227,878**	364,674
	375,769	2,378,681

32 ALLOWANCES FOR LOAN LOSSES AND IMPAIRMENT OF INVESTMENTS

	Group 2006 $	Group 2005 $
Trade and other receivables		
- loans, advances and hire purchase receivables (net)	**1,582,411**	2,514,306
- factoring receivables	**414,011**	1,775,779
- insurance and other receivables	**601,100**	-
- non-trade receivables	**18,810**	11,246
Equity securities available-for-sale		
- quoted equities	**-**	44,561
- unquoted equities	**705,690**	342,164
	3,322,022	4,688,056

33 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

		Group	
	Note	2006	2005
		$	$
Amortisation of intangible assets	4	**212,857**	289,676
Depreciation of property, plant and equipment	3	**766,563**	721,395
Property, plant and equipment written off	3	**580**	-
Intangible assets written off	4	**438,345**	-
Exchange loss (net)		**195,429**	188,420
Non-audit fees			
- auditors of the Company		**75,425**	89,400
Directors' fees		**220,606**	218,998
Fees paid to corporations in which the directors have interests		**828,112**	359,805
Contributions to defined contribution plans included in staff costs		**532,006**	561,727
(Reversals)/provisions for			
- unexpired risks		**(1,247,000)**	1,009,000
- insurance claims		**688,000**	182,000
Bad and doubtful receivables written off		**-**	7
Amortisation of discount on floating rate notes		**39,452**	100,000
Financial expense		**208,195**	145,716

34 TAX (CREDIT)/EXPENSE

	Group	
	2006	**2005**
	$	**$**
Current tax expense		
Current year	**3,718,851**	2,796,088
Income tax refund	**(1,032,855)**	-
Overprovided in prior years	**(2,189,469)**	(144,463)
	496,527	2,651,625
Deferred tax expense		
Movements in temporary differences	**(850,728)**	540,085
	(354,201)	3,191,710

Reconciliation of effective tax rate

Profit before income tax	**11,473,155**	14,779,667
Income tax using Singapore tax rates of 20%	**2,294,631**	2,955,933
Income subject to concessionary rate of 10%	**(36,093)**	-
Effect of different tax rates in other countries	**(54,605)**	-
Expenses not deductible for tax purposes	**563,401**	525,219
Tax exempt revenues	**(21,000)**	(43,804)
Income not subject to tax	**(10,343)**	(786,522)
Unrecognised movements in deferred tax	**5,314**	385,488
Income tax refund	**(1,032,855)**	-
Overprovided in prior years	**(2,189,469)**	(144,463)
Utilisation of previously unrecognised tax losses	**128,573**	300,000
Others	**(1,755)**	(141)
	(354,201)	3,191,710

Pursuant to Section 43C of the Singapore Income Tax Act, Chapter 134, income from offshore insurance business is subject to tax at the concessionary rate of 10% instead of the standard rate of 20%.

35 EARNINGS PER SHARE

	Group 2006 $	Group 2005 $
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	**11,827,356**	11,587,957

	No. of shares	No. of shares
Issued ordinary shares at beginning of the year	**103,297,137**	103,297,136
Effect of share options exercised	**152,935**	-
Weighted average number of ordinary shares at end of the year	**103,450,072**	103,297,136

Diluted earnings per share

Diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	**11,827,356**	11,587,957

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, with the potential ordinary shares weighted for the period outstanding.

The effect of the exercise of share options on the weighted average number of ordinary shares in issue is as follows:

	Group 2006 No. of shares	Group 2005 No. of shares
Weighted average number of:		
Ordinary shares used in the calculation of		
Basic earnings per share	**103,450,072**	103,297,136
Potential ordinary shares issuable under share options	**55,356**	48,021
Weighted average number of ordinary issued and potential shares assuming full conversion	**103,505,428**	103,345,157

36 ACQUISITION OF SUBSIDIARIES

On 22 November 2005, the Company acquired 53% in PT. International Factors Indonesia ("PT. IFI") for approximately $251,000 in cash. PT. IFI is engaged in factoring business and contributed a net loss of $42,957 from the date of acquisition. If the acquisition had occurred on 1 January 2005, interest income of the Group would have been $21,565,258 and net profit for the year would have been $11,227,365.

On 30 November 2005, the Group acquired 100% in ECIL Ltd., ECGC Ltd., IFS Ventures Private Limited and additional 75% in IFS Ventures 2 Private Limited for approximately $1,981,000 in cash (net). In December 2005, these companies contributed a net loss of $45,492 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2005, interest income of the Group would have been $21,557,448 and net profit for the year would have been $11,292,686.

The effect of acquisition of subsidiaries is set out below:

	Carrying amount 2005 $	Fair value adjustment 2005 $	Recognised values 2005 $
Trade and other receivables	48,774	-	48,774
Cash and cash equivalents	2,345,124	-	2,345,124
Allowance for impairment	(4,779,693)	-	(4,779,693)
Investments	9,246,215	-	9,246,215
Trade and other payables	(2,317,475)	-	(2,317,475)
Provision for taxation	(1,028,558)	-	(1,028,558)
Net identifiable assets and liabilities	3,514,387	-	3,514,387
Goodwill/(negative goodwill) on acquisition			
- goodwill			356,941
- negative goodwill			(1,638,422)
Cash consideration paid			2,232,906
Cash acquired			(2,345,124)
Net cash inflow			(112,218)

The negative goodwill is attributable to the discount on the acquired investment portfolios.

There were no acquisitions of subsidiaries in the year ended 31 December 2006.

37 COMMITMENTS

(a) The subsidiaries have an outstanding investment commitment of US$179,296 (approximately S$276,062) [2005: US$179,296 (approximately S$299,370)].

(b) The Company has outstanding standby letters of credit of $7,375,166 (2005: $5,101,140) issued on behalf of customers.

(c) At 31 December 2006, the subsidiaries have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2006	2005
	$	$
Within 1 year	**111,676**	82,577
After 1 year but within 5 years	**38,567**	103,221
	150,243	185,798

The Group leases two office premises under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals.

38 SIGNIFICANT RELATED PARTIES TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel refers to Executive Directors and Management Committee members, who have the authority and responsibility in planning, directing and controlling the activities of the Group and the Company.

Key management personnel compensation

The key management personnel compensation comprise mainly of short-term employee benefits amounting to $2,218,091 (2005: $2,143,515).

Key management personnel of the Group participate in the IFS (2000) Share Option Scheme as described in Note 20. Information on share options granted to key management personnel is as follows:

Options to subscribe for ordinary shares of $0.50 each

	2006	2005	Exercise Price	Exercise Period
Kwah Thiam Hock	-	60,000	$0.50	12/5/2002 - 10/5/2006

38 SIGNIFICANT RELATED PARTIES TRANSACTIONS *(cont'd)*

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2006	2005
	$	$
Affiliated corporations		
Professional and brokerage fees incurred	**28,370**	3,345
Software development fees incurred	**4,800**	83,600
Fund management fees incurred	**791,442**	251,166
Insurance (received)/paid	**(7,928)**	21,694
Interest received	**(50,532)**	-
Associates		
Retainer fee income	**24,000**	24,000

39 SUBSEQUENT EVENT

(a) On 18 January 2007, the Company and its associated company, IFS Capital Holdings (Thailand) Limited ("IFSCHTL") entered into a sale and purchase agreement with Bank of Ayudhya Public Company Limited and other minority shareholders to acquire 25,990,118 ordinary shares or 51.98% equity interest in the capital of the Company's associated company, IFS Capital (Thailand) Limited ("IFST"). Pursuant to the Agreement, out of the total 25,990,118 IFST shares to be acquired (a) the Company will acquire 1,390,118 IFST shares (or 2.78%); and (b) IFSCHTL will acquire 24,600,000 IFST shares (or 49.2%). The Acquisition was completed on 31 January 2007.

The Acquisition is not expected to have any material financial impact on the earnings per share or the net tangible assets value per share of the Group.

(b) Subsequent to the balance sheet date, the Directors proposed a renounceable non-underwritten rights issue of up to 20,718,887 new Shares at an issue price of S$0.51 for each Rights Issue, on the basis of one Rights Share for every five Shares held by Entitled Shareholders as at the Books Closure Date which will be announced at a later date. The Rights Issue is subject to the approval of the SGX-ST and the Shareholders' approval at the Annual General Meeting to be held in end April 2007 for a general share issue mandate pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore. The Rights Issue has been proposed to strengthen the capital base of the Company following the payment of the Net Bonus Dividend as disclosed in Note 21.

40 FINANCIAL INSTRUMENTS

Accepting and managing risk is central to the business of being a financial services provider and is an important part of the Group's overall business strategy. Exposure to equity, credit, underwriting, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's business. The Group has adopted formal risk management policies and procedures which are approved by the Board. These risks management guidelines set out both procedures as well as quantitative limits to minimise risks arising from the Group's exposures to such factors.

The main financial risks that the Group is exposed to and how they are being managed are set out below.

Equity risks

The Group has equity interests in private companies as well as quoted equity shares under the management of a fund manager, which is an affiliated company. These investments are subject to market risks such as economic risks, credit default risks and investment risks inherently arising from the nature of the venture capital business activities. The Group has representatives in the Investment Committee of the fund manager that makes investment and divestment decisions. The fund manager has established policies and procedures to monitor and control its investments and divestments.

Credit risks

The principal risk to which the Group is exposed is credit risk in connection with its loans, factoring, credit insurance, bond, guarantee and insurance activities. Management has established credit and insurance processes and limits to manage these risks including performing credit reviews of its customers and counterparties, risk-sharing and obtaining cash collaterals as security where considered necessary.

Other credit risks represent the loss that would be recognised if counterparties in connection with insurance, reinsurance, investment and banking transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties.

Credit risk in respect of the Group's lending activities is managed and monitored in accordance with defined credit policies and procedures. Significant credit risk strategies and policies are approved, and reviewed periodically by the Board of Directors. These include setting authority limits for approving credit facilities and establishing limits on single client, related entities, and industry exposures to ensure the broad diversification of credit risk and to avoid undue concentration. These policies are delegated to and disseminated under the guidance and control of the Management Committee and Credit Committee.

40 FINANCIAL INSTRUMENTS *(cont'd)*

A delegated credit approval authority limit structure, approved by the Board of Directors, is as follows:

- The Credit Committee, comprising executive directors and senior management staff assess, review and make decisions on credit risks of the Group within the authority limits imposed by the Board;
- The Credit Risk Management Department independently assess the creditworthiness and risk profile of the obligors and formulate credit policies and procedures for the Group;
- The Client Audit Unit conducts audits on new factoring clients before account activation and for existing ones, on a periodic basis;
- Daily monitoring of accounts is handled by the Business Development Teams together with Operations and Credit Risk Management Departments;
- The Internal Audit provides independent assurance to senior management and the Audit Committee concerning compliance with credit processes, policies and the adequacy of internal controls; and
- Established limits and actual levels of exposure are regularly reviewed and reported to the Board of Directors on a periodic basis.

Credit risk arising on loans to customers under the LEFS and RFS are under risk-sharing arrangements with SPRING Singapore and IES respectively, with the risk-sharing ranging from 50% to 80% of the funds disbursed.

At the balance sheet date, the main credit exposures of the Group relates to electronic and holding and investment sectors in 2006 and property development and electronic sectors in 2005. These exposures account for 28% (2005: 32%) and 28% (2005: 29%) respectively, of the total loans, advances and receivables of the Group and the Company respectively. There were no other significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the balance sheet. Allowances have been set aside in arriving at such carrying amount. The Group normally takes collateral to secure the amounts due under credit transactions. The maximum exposure to credit risk will accordingly also be reduced by the value of such collateral. Where practicable the Group will mitigate its credit risk through risk-sharing and credit insurance.

Insurance contract risks

Underwriting risks

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover.

The principal underwriting risk to which the Group is exposed is credit risk in connection with its credit insurance and bond and guarantee underwriting activities. Management have established underwriting processes and limits to manage this risk including performing credit reviews of its customers and obtaining cash collaterals as security where considered necessary.

40 FINANCIAL INSTRUMENTS *(cont'd)*

Pricing risks
The underwriting function carries out qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved credit limit. For credit insurance, it also uses an internal credit score card to determine the credit scoring of a buyer and to analyse the buyer's credit score over time and against other companies. Policies with riskier markets may be rejected or charged at a higher premium rate accompanied by stricter terms and conditions to commensurate the risks.

Concentration risks
Concentration limits are set to avoid heavy concentration within a specific industry or country. Maximum limits are set for buyer credit limits and guarantee facility limits and higher limits require special approval. There is also monthly monitoring and reporting of any heavy concentration of risk exposure towards any industry, country, buyer and client limits. Buyer credit limits and client facility limits are reviewed on a regular basis to track any deterioration in their financial position that may result in a loss to the Group.

The main exposure of the Group's credit insurance contracts arises from the electronics sector. For bond and guarantee insurance contracts, the property and construction sectors contribute to a larger proportion of the Group's risk exposure. The Group does not have any significant concentration of risk to countries outside of Singapore.

Reinsurance outwards
The Group participates in reinsurance treaties to cede risks to its reinsurers, which are internationally established firms with credit ratings ranging from BBB+ to AA from major international rating agencies. Under the treaties, the Group undertakes to cede to its reinsurers between 50% to 70% of its total written premium as well as the same proportion of corresponding losses for 2006. Risks undertaken which do not fall within the treaty scope of cover are ceded to reinsurers on a facultative basis.

Interest rate risk

In carrying out its lending activities the Group strives to meet client demands for products with various interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a loss or gain in earnings.

The Group attempts to minimise the interest rate risks wherever possible over the tenor of the financing. Floating rate lending is matched by floating rate borrowings. For fixed rate loans, these are matched by shareholders' funds and fixed rate borrowings and, if economically feasible, of the same tenor and amount. However, gaps may arise due to prepayments or delays in drawdown by clients.

On a minimum quarterly basis, the Group calculates its interest rate sensitivity gaps by time bands based on the earlier of contractual repricing date and maturity date. Where there is a gap arising out of a mismatch, the Group will use interest rate derivative instruments such as interest rate swaps, caps and floors to hedge its position.

40 FINANCIAL INSTRUMENTS *(cont'd)*

Liquidity risk

Liquidity risk is the risk due to insufficient funds to meet contractual and business obligations in a timely manner. The Group manages and projects its cash flow commitments on a regular basis and this involves monitoring the concentration of funding maturity at any point in time and ensuring that there are committed credit lines from banks for its funding requirements.

Foreign currency risks

The Group is exposed to foreign currency risk on investments, loans, advances and factoring receivables and borrowings that are denominated in a currency other than Singapore dollars. The currency giving rise to this risk is primarily United States dollars and Euro. The Group does not use derivative financial instruments to hedge its foreign currency risk.

Interest on borrowings is denominated in currencies that match cashflows generated by the underlying operations of the Group, primarily US dollars and Euro. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short term imbalances.

Counterparty and concentration risks

For investments in fixed income securities, the Group invests primarily in securities issued by the Singapore Government and in corporate bonds of investment grade (i.e. at least rated BBB by internationally recognised rating agency). The Group has put in place investment, counter party and foreign currency limits in relation to its investment activities to ensure that there is no over-concentration to any one class of investment.

Claims development in respect of credit and bond and guarantee insurance business

Claim development tables are disclosed to allow comparison of the outstanding claim provisions with those of prior years. In effect, the tables highlight the Group's ability to provide an estimate of the total value of claims. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or underwriting year-ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the balance sheet and the estimated cumulative claims.

40 FINANCIAL INSTRUMENTS *(cont'd)*

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Group believes that the estimated total claims outstanding as at end of 2006 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

The analysis of claims development has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

The claims information for the underwriting years below is based on the following:

Underwriting year:

- 2001 - 12 months ended 31 March 2001
- 2002 - 12 months ended 31 March 2002
- 2003 - 12 months ended 31 March 2003
- 2004 - 9 months ended 31 December 2004
- 2005 - 12 months ended 31 December 2005
- 2006 - 12 months ended 31 December 2006

Claims information for underwriting years 2001 to 2003 relates to the insurance and guarantee businesses of ECICS Credit Insurance Ltd ("ECIL") and ECICS Credit and Guarantee Company (Singapore) Ltd ("ECGC"), under which such businesses were acquired by the Group through the Company effective from 1 December 2003.

40 FINANCIAL INSTRUMENTS *(cont'd)*

(i) Analysis of claims development – gross basis

Credit insurance business
Gross loss development tables as at 31 December 2006
Unit: $'000

Estimate of cumulative claims **Underwriting year**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
At end of underwriting year			1,411	1,515	1,904	**1,886**	
One year later		3,971	2,191	1,581	2,199		
Two years later	1,004	6,153	1,966	1,250			
Three years later	848	5,957	1,877				
Four years later	788	5,962					
Five years later	788						
Current estimate of ultimate claims	788	5,962	1,877	1,250	2,199	**1,886**	13,962
Cumulative payments	732	1,548	1,623	1,015	369	**26**	5,313
Gross outstanding claim liability	56	4,414	254	235	1,830	**1,860**	8,649
Unallocated loss adjustment expenses	3	878	25	14	114	**116**	1,150
Effect of discount	–	65	4	3	27	**27**	126
Best estimate of outstanding claim liability	59	5,227	275	246	1,917	**1,949**	9,673
Provision for prior underwriting years							–
Provision for adverse deviation							672
Outstanding claim liability in accounts							10,345

40 FINANCIAL INSTRUMENTS *(cont'd)*

(i) Analysis of claims development – gross basis *(cont'd)*

Bond and guarantee insurance business
Gross loss development tables as at 31 December 2006
Unit: $'000

Estimate of cumulative claims							
Underwriting year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
At end of underwriting year			-	-	-	**28**	
One year later		4,506	199	110	313		
Two years later	3,726	5,956	199	110			
Three years later	4,108	5,956	199				
Four years later	4,138	7,120					
Five years later	4,138						
Current estimate of ultimate claims	4,138	7,120	199	110	313	**28**	11,908
Cumulative payments	4,138	7,120	199	110	313	**28**	11,908
Gross outstanding claim liability	-	-	-	-	-	**-**	-
Unallocated loss adjustment expenses	-	-	-	-	-	**-**	-
Effect of discount	-	-	-	-	-	**-**	-
Best estimate of outstanding claim liability	-	-	-	-	-	**-**	-
Provision for prior years							
Provision for adverse deviation							-
Outstanding claim liability in accounts							-
Total							**10,345**

40 FINANCIAL INSTRUMENTS *(cont'd)*

(ii) Analysis of claims development – net basis

Credit insurance business
Net loss development tables as at 31 December 2006
Unit: $'000

Estimate of cumulative claims **Underwriting year**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
At end of underwriting year			635	665	918	**943**	
One year later		1,771	997	860	1,100		
Two years later	447	5,127	892	683			
Three years later	376	4,983	1,060				
Four years later	349	4,966					
Five years later	349						
Current estimate of ultimate claims	349	4,966	1,060	683	1,100	**943**	9,101
Cumulative payments	324	571	857	569	185	**13**	2,519
Net estimate of outstanding claim liability	25	4,395	203	114	915	**930**	6,582
Unallocated loss adjustment expenses	3	878	25	14	114	**116**	1,150
Effect of discount	0	64	3	2	13	**14**	96
Best estimate of outstanding claim liability	28	5,209	225	126	1,016	**1,032**	7,636
Provision for prior years							-
Provision for adverse deviation							367
Outstanding claim liability in accounts							8,003

40 FINANCIAL INSTRUMENTS *(cont'd)*

(ii) Analysis of claims development – net basis *(cont'd)*

Bond and guarantee insurance business
Net loss development tables as at 31 December 2006
Unit: $'000

Estimate of cumulative claims **Underwriting year**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
At end of underwriting year			-	-	-		
One year later		751	2	-			
Two years later	375	2,101	2				
Three years later	466	2,101	2				
Four years later	473	2,334					
Five years later	473						
Current estimate of ultimate claims	473	2,334	2	-	-		2,809
Cumulative payments	473	2,334	2	-	-		2,809
Net estimate of outstanding claim liability	-	-	-	-	-		-
Unallocated loss adjustment expenses	-	-	-	-	-		-
Effect of discount	-	-	-	-	-		-
Best estimate of outstanding claim liability	-	-	-	-	-		-
Provision for prior years							-
Provision for adverse deviation							-
Outstanding claim liability in accounts							-
Total							**8,003**

Estimation of fair value

Investments in equity and debt securities
The fair value of quoted equity securities is their last bid price at the reporting date. The fair values of unquoted corporate bonds, unquoted unit trusts and money market funds are their indicative prices at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

40 FINANCIAL INSTRUMENTS *(cont'd)*

Available-for-sale equities
The fair value of quoted available-for-sale equities is their last bid price at the reporting date. The fair values of unquoted available-for-sale equities are based on the discounted cash flows of the investee companies.

Loans, advances and receivables
The fair values of loans, advances and receivables that reprice within six months of balance sheet date are assumed to equate the carrying values. The fair values of fixed rate loans, advances, hire purchase and factoring receivables were calculated using discounted cash flow models based on the maturity of the loans. The discount rates applied in this exercise were based on the current interest rates of similar types of loans, advances, hire purchase and factoring receivables if these assets were performing at reporting date.

Other financial assets and liabilities
The notional amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period of maturity.

The fair value of quoted equity securities is their last bid price at the balance sheet date. The fair values of the unquoted corporate bonds, unquoted unit trusts and money market funds are their indicative prices at the balance sheet date.

Interest rates used in determining fair values
The interest rates used to discount estimated cash flows, at 31 December 2006, are as follows:

	2006	**2005**
	%	**%**
Loans, advances and receivables	**5.0 -10.8**	5.0 - 10.7
Short-term loans (unsecured)	**3.8 - 4.6**	2.6 - 5.2

40 FINANCIAL INSTRUMENTS *(cont'd)*

Summary

The aggregate net fair values of recognised financial assets and liabilities which are not carried at fair values in the balance sheets date at 31 December 2006 are represented in the following table:

	2006		2005	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Group				
Financial assets				
Loans, advances and receivables	**203,610,359**	**202,813,294**	223,988,570	222,626,697
Loans to staff	**13,222**	**12,635**	31,497	39,339
Held-to-maturity investments	**14,692,132**	**14,625,261**	16,415,634	16,268,370
	218,315,713	**217,451,190**	240,435,701	238,934,406
Financial liabilities				
Short-term loans (unsecured)	**139,736,274**	**139,736,274**	254,520,056	254,103,548
Long-term loans (unsecured)	**112,333,614**	**112,249,306**	48,357,807	48,357,807
	252,069,888	**251,985,580**	302,877,863	302,461,355
Net	**(33,754,175)**	**(34,534,390)**	(62,442,162)	(63,526,949)
Unrecognised loss		**780,215**		1,084,787
Company				
Financial assets				
Loans, advances and receivables	**188,947,577**	**188,383,350**	210,077,016	208,715,143
Loans to staff	**13,222**	**12,635**	31,497	39,339
Held-to-maturity investments	**3,079,400**	**3,079,400**	-	-
	192,040,199	**191,475,385**	210,108,513	208,754,482
Financial liabilities				
Short-term loans (unsecured)	**139,736,274**	**139,736,274**	254,520,056	254,103,548
Long-term loans (unsecured)	**112,333,614**	**112,249,306**	48,357,807	48,357,807
	252,069,888	**251,985,580**	302,877,863	302,461,355
Net	**(60,029,689)**	**(60,510,195)**	(92,769,350)	(93,706,873)
Unrecognised loss		**480,506**		937,523

41 ACCOUNTING JUDGEMENTS AND ESTIMATES

Management has assessed the development, selection and disclosure of the critical accounting policies and estimate and the application of these policies and estimates.

The following are critical accounting judgements or estimates made by the management in applying accounting policies:

Critical accounting judgements

Impairment losses on loans, advances and receivables
The Group reviews the loan portfolio to assess impairment on a regular basis. To determine whether there is an impairment loss, the Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows of the loan portfolio. The evidence may include observable data indicating adverse changes in the payment status of the borrowers or local economic conditions that correlate with defaults in the loan portfolio. The methodology and assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between estimated and actual loss experience.

Held-to-maturity financial assets
The Group has the intention and ability to hold the debt securities, which includes quoted and unquoted corporate bonds and Singapore Government Securities to maturity. These securities will be redeemed upon maturity and will not be subject to disposal prior to maturity.

If the Group fails to hold these debt securities to maturity other than for specific circumstances explained in FRS 39, it will be required to classify the whole class as available-for-sale. The debt securities would therefore be measured at fair value and not amortised cost. If the class of held-to-maturity debt securities is tainted, its carrying amount would decrease by $66,871, with a corresponding entry in the fair value reserves in equity.

Critical accounting estimates

Provisions for unexpired risks and insurance claims
Provisions for unexpired risks and insurance claims as at 31 December 2006 have been assessed by the approved actuary in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis set out in sections I and II of this note.

The process of establishing the provision for insurance claims is described in section II of this note.

The sensitivity analysis has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

41 ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

Users of these financial statements should take note of the following:

(a) The sensitivity analysis in sections I and II is based upon the assumptions set out in the actuarial report issued to the Group by the approved actuary for the financial year ended 31 December 2006. The sensitivity analysis is subject to the reliance that the approved actuary has placed on management and limitations described in the report;

(b) The estimates and assumptions discussed are independent of each other. However, in practice, a combination of adverse and favourable changes can occur; and

(c) The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

I. Provision for unexpired risks - Sensitivity Analysis

The provision for unexpired risks is the higher of:

(a) The aggregate of the total best estimates of unexpired risk and the provision for adverse deviation ("PAD"); and

(b) Unearned premium reserves.

For short-term credit insurance policies, the provision for unexpired risks is based on the ultimate loss ratio for 2006 which is obtained from outstanding claim analysis. For bonds and guarantee insurance contracts, a simulation approach is used to project expected future losses. In the base scenario, the Group has assumed an average bond default rate of 1.5% applies.

The provision for unexpired risks includes a PAD which is intended to provide a 75% probability of adequacy for the provision for unexpired risks. The PAD assumption relied on the approved actuary's inputs. An allowance for future management expenses and claim handling costs is made.

41 ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

Based on the current assumptions, the gross and net provisions for unexpired risks are as follows:

At 31 December 2006	**Net ($'000)**	**Gross ($'000)**
Estimated provision for unexpired risks under the base scenario	7,112	28,520

Probability of default for bonds and guarantees
Probability of default of bonds and guarantees is computed based on historical claims experience of the Group. Under the base scenario, the Group has assumed that the bonds or guarantees have an average probability of default of 1.5%. If average probability of default rate of 2% or 1% is used, the provision will be modified as follows:

	Net ($'000)		**Gross ($'000)**	
	High	**Low**	**High**	**Low**
	2%	**1%**	**2%**	**1%**
Provision for unexpired risks	8,649	5,544	36,715	20,840

Recovery rate for bonds and guarantees
Recovery rate for bonds and guarantees are computed based on published recovery rates from S&P and Moody's. Under the base scenario, the Group has allowed for recovery rate of 35% of the bond or guarantee value if it is called. Using rates of 40% or 30%, the provision for unexpired risks would change as follows:

	Net ($'000)		**Gross ($'000)**	
	High	**Low**	**High**	**Low**
	30%	**40%**	**30%**	**40%**
Provision for unexpired risks	7,456	6,741	N/A	N/A

N/A: This sensitivity does not apply because the actuary has assumed no recovery under the gross basis.

41 ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

Claim handling expenses ("CHE")
Allowance for CHE relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on 20% of expected future losses and maintenance expenses computed at 15% of the Group's unearned premium reserves for all classes of business. The effects of increasing and reducing CHE by 25% are presented below:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	+25%	-25%	+25%	-25%
Provision for unexpired risks	7,393	6,831	28,800	28,238

Provision for adverse deviation
The actuary has assumed premium PAD of 25% under the base scenario. If the assumed PAD is changed to 30% or 20%, the resulting provision will be as follows:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	30%	20%	30%	20%
Provision for unexpired risks	7,333	6,890	29,493	27,546

II. Provision for insurance claims - Sensitivity Analysis

Process of establishing provision for insurance claims
For short-term credit insurance contracts, the Group sets aside specific provisions based on actual claims notified by the policyholders. Each notified claim is assessed on a case-by-case basis with regards to the claim circumstances and information available from external sources. These specific provisions are reviewed and updated regularly as and when there are developments and are not discounted for the time value of money.

For bond and guarantee insurance contracts, there were no specific provisions as at 31 December 2006. However, the Group closely monitors the relevant projects for which the bonds and guarantees are issued, and makes specific provisions should the Group be made aware of potential claim payments through its regular project monitoring.

Given the uncertainty in estimating the provision for insurance claims, it is likely that the actual outcome will be different from the provisions made based on internal provisioning. Accordingly, the Group engages an approved actuary to assess the adequacy of the Group's provision for insurance claims on an annual basis.

41 ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

The reserving methodology and assumptions used by the approved actuary, (Watson Wyatt Insurance Consulting Pte Ltd), which remain unchanged from prior year, are intended to produce a "best" estimate of the provision for insurance claims through the analysis of historical claims payment and recovery data to project future claims payment. The "best" estimate is intended to represent the mean value of the range of future outcomes of the claim costs. The provision for insurance claims is expressed in terms of the present value of the future claim costs.

For short-term credit insurance policies, claim development triangles are constructed using the historical number of paid claims. The chain ladder method is applied to the triangle to project the ultimate number of claims. Analysis of average cost per claim and non-reinsurance recovery rates is then performed to compute an average net cost per claim. The estimate of outstanding claims is then derived by combining these items.

The chain ladder method involves the analysis of historical claim number development factors and the selection of estimated development factors based on the historical pattern. The selected factors are then applied to the cumulative numbers of claims for each underwriting year, for which the data is not yet fully developed, to produce an estimated ultimate number of claims.

In estimating the provision for insurance claims, the actuary includes an allowance for claims handling expenses and maintenance cost which are intended to cover the costs of administering outstanding claims until all claims are fully settled.

The actuary's estimate for the provision for insurance claims is subject to uncertainty and variations of the actual and expected experience are to be expected. The inherent uncertainty is due to the fact that the ultimate claim cost is subject to the outcome of future events. Possible uncertainties include those related to the selection of models and assumptions, the statistical uncertainty, the general business and economic environment, and the impact of legislative reform. A provision for adverse deviation is therefore made to allow for uncertainty surrounding the estimation process and is intended to provide a 75% probability of adequacy for the provision for insurance claims. The PAD assumption relied on the actuary's inputs.

Based on the current assumptions, the gross and net provisions for insurance claims are as follows:

At 31 December 2006	**Net ($'000)**	**Gross ($'000)**
Estimated provision for insurance claims under the base scenario	8,003	10,345

41 ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

Ultimate number of claims in underwriting year 2006 for short-term credit insurance
The ultimate number of claims paid is computed based on loss development triangles constructed using the number of paid claims from prior years.

In estimating outstanding claims under the base scenario, the Group has assumed that there will be approximately 12 claims in underwriting year 2006. If the ultimate number of claims in underwriting year 2006 is assumed to be 11 or 13 claims, the corresponding gross and net provisions for insurance claims are set out as follows:

	Net ($'000)		Gross ($'000)	
	High	**Low**	**High**	**Low**
	13 claims	**11 claims**	**13 claims**	**11 claims**
Provision for insurance claims	8,128	7,877	10,575	10,115

Average claim size for short-term credit insurance
Analyses on average cost per claim and reinsurance recovery rates are performed to derive an average net cost per claim.

The Group has assumed an average claim size of $31,500 under the base scenario. If the average claim size is assumed to be $35,000 and $25,000, the corresponding gross and net provisions for insurance claims will be as follows:

	Net ($'000)		Gross ($'000)	
	High	**Low**	**High**	**Low**
	$35,000	**$25,000**	**$35,000**	**$25,000**
Provision for insurance claims	8,141	7,745	10,599	9,874

41 ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

Claim handling expenses
Allowance for CHE relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on:

(a) For short-term credit insurance policies: 20% of incurred-but-not-reported claims and 10% of case reserves.

(b) For medium/ long term insurance policies: 20% of case reserves.

The effects of varying CHE by 25% (both upwards and downwards) are presented below:

	Net ($'000)		**Gross ($'000)**	
	High	**Low**	**High**	**Low**
	+25%	**-25%**	**+25%**	**-25%**
Provision for insurance claims	8,300	7,705	10,643	10,047

Provision for adverse deviation
Provision for insurance claims also includes a PAD which will provide a 75% probability of adequacy for the provision for insurance claims.

The Group has assumed a claim PAD of 15% under the base scenario. Changing the PAD to either 20% or 10% results in changes in provision as follows:

	Net ($'000)		**Gross ($'000)**	
	High	**Low**	**High**	**Low**
	20%	**10%**	**20%**	**10%**
Provision for insurance claims	8,125	7,880	10,569	10,121

42 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate taxation.

Business segments

The Group's main business segments comprise the following:

Financing	:	Financing business focuses on providing services to corporate clients, mainly the small and medium-sized enterprises. The service provided include factoring, accounts receivable financing, trade financing, mortgage financing, working capital, syndicated loans, hire purchase, financing under the Singapore Government's LEFS and RFS.
Insurance	:	The provision of credit insurance facilities to Singapore exporters and the issue of performance bonds and guarantees.
Venture capital	:	The acquisition, holding and disposal of equity interests in private companies.
Structured finance and other investments	:	The provision of mezzanine financing, private equity and long-term investments in equity.

Geographical segments

Financing, Insurance, Venture Capital and Structured Finance and Other Investments segments are managed and operated in five principal geographical areas (2005: five). Singapore, Europe and Asia (other than Singapore) are the major markets for financing and insurance activities. United States and Others, Asia (other than Singapore) and Australia are the major markets for venture capital and structured finance and other investments activities.

42 SEGMENT REPORTING *(cont'd)*

(a) Business segments

	Financing	Insurance	Venture capital	Structured finance & other investments	Total
	$	$	$	$	$
2006					
Operating income and expenses					
Total operating income	30,307,719	10,117,026	342,576	723,569	41,490,890
Segment results	7,183,731	4,046,342	(962,309)	230,957	10,498,721
Share of after-tax results of associates	1,331,375	–	–	–	1,331,375
Goodwill written off					(356,941)
Profit before taxation					11,473,155
Taxation					354,201
Net profit for the year					11,827,356
Assets and liabilities					
Segment assets	344,459,613	86,328,670	3,533,187	14,024,751	448,346,221
Associates	7,113,114	–	–	–	7,113,114
Unallocated assets					3,984,759
Total assets					459,444,094
Segment liabilities	275,629,029	49,800,201	108,136	8,198,648	333,736,014
Unallocated liabilities					9,800,975
Total liabilities					343,536,989
Other information					
Capital expenditure	684,316	188,925	–	–	873,241
Depreciation and amortisation	812,864	166,556	–	–	979,420
Property, plant and equipment and intangible assets written off	356,941	81,984	–	–	438,925

42 SEGMENT REPORTING *(cont'd)*

(a) Business segments (cont'd)

	Financing $	Insurance $	Venture capital $	Structured finance & other investments $	Total $
2005					
Operating income and expenses					
Total operating income	27,528,798	11,234,684	686,655	514,166	39,964,303
Segment results	5,970,923	6,086,433	283,208	269,207	12,609,771
Share of after-tax results of associates	468,728	-	62,746	-	531,474
Negative goodwill					1,638,422
Profit before taxation					14,779,667
Taxation					(3,191,710)
Net profit for the year					11,587,957
Assets and liabilities					
Segment assets	395,853,967	131,308,663	8,107,323	10,651,107	545,921,060
Associates	5,474,202	-	-	-	5,474,202
Unallocated assets					3,365,528
Total assets					554,760,790
Segment liabilities	341,058,868	93,943,485	103,958	-	435,106,311
Unallocated liabilities					12,063,008
Total liabilities					447,169,319
Other information					
Capital expenditure	212,148	183,564	-	-	395,712
Depreciation and amortisation	800,269	210,802	-	-	1,011,071

42 SEGMENT REPORTING *(cont'd)*

(b) Geographical segments

	Singapore	Asia other than Singapore	Australia	Europe	US & Others	Total
	$	$	$	$	$	$
2006						
Total operating income	**36,743,043**	**1,498,602**	**–**	**1,949,396**	**1,299,849**	**41,490,890**
Segment assets	**400,674,995**	**16,785,765**	**15,486**	**19,777,971**	**15,076,763**	**452,330,980**
Associates	**–**	**7,113,114**	**–**	**–**	**–**	**7,113,114**
Total assets	**400,674,995**	**23,898,879**	**15,486**	**19,777,971**	**15,076,763**	**459,444,094**
Capital expenditure	**332,519**	**540,722**	**–**	**–**	**–**	**873,241**
Depreciation and amortisation	**915,671**	**63,749**	**–**	**–**	**–**	**979,420**
Property, plant and equipment and intangible assets written off	**81,984**	**356,941**	**–**	**–**	**–**	**438,925**
2005						
Total operating income	35,778,635	1,836,932	655,555	1,623,631	69,550	39,964,303
Segment assets	480,598,457	22,821,093	15,486	44,877,432	974,120	549,286,588
Associates	–	5,474,202	–	–	–	5,474,202
Total assets	480,598,457	28,295,295	15,486	44,877,432	974,120	554,760,790
Capital expenditure	395,712	–	–	–	–	395,712
Depreciation and amortisation	1,007,420	3,651	–	–	–	1,011,071

In presenting information on the basis of geographical segments, total operating income is based on the geographical location of customers.

Total operating income comprises interest income, net earned premium revenue, fee and commission income and investment income.

Segment assets are based on the geographical location of the assets.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

43 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 40 Investment Property
- FRS 107 Financial Instruments: Disclosures and the Amendment to FRS 1 Presentation of Financial Statements: Capital Disclosures
- INT FRS 107 Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
- INT FRS 108 Scope of FRS 102 Share-based Payment
- INT FRS 109 Reassessment of Embedded Derivatives
- INT FRS 110 Interim Financial Reporting and Impairment

FRS 107 and amended FRS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital. This standard does not have any impact on the recognition and measurement of the Group's financial statements.

The initial application of these standards and interpretations are not expected to have any material impact on the Group's financial statements. The entity has not considered the impact of accounting standards issued after the balance sheet date.

44 COMPARATIVE INFORMATION

During the year, the definition of key management personnel compensation of the Group have been expanded to include management personnel who are responsible for planning, decision making and controlling activities of the Group. Comparative amounts of these additional key management personnel were included for consistency as disclosed in Note 38.

1. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	2006	**2005**
	$	**$**
Name of interested person		
Management and professional services		
Phillip Private Equity Pte Ltd (formerly known as ECICS Management Pte Ltd)	**454,307**	180,078
Credit Facility		
PT Phillip Securities, Indonesia	**1,730,800**	-

2. MATERIAL CONTRACTS INVOLVING DIRECTORS' INTEREST

Saved as disclosed in the notes to the financial statements, there were no material contracts entered into by the Group involving the interest of the directors.

shareholding statistics as at 8 March 2007

SHARE CAPITAL

Issued and Paid-up Share Capital	:	$77,675,397
Number of Shares	:	103,494,736
Class of Shares	:	ordinary shares
Voting Rights	:	one vote per share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	39	1.10	6,330	0.01
1,000 - 10,000	3,042	85.45	9,988,663	9.65
10,001 - 1,000,000	471	13.23	19,867,864	19.20
1,000,001 and above	8	0.22	73,631,879	71.14
	3,560	100.00	103,494,736	100.00

TOP TWENTY SHAREHOLDERS

No.	Name of Shareholder	No. of Shares Held	%
1	Phillip Securities Pte Ltd	47,110,872	45.52
2	SMRT Road Holdings Ltd	7,100,078	6.86
3	United Overseas Bank Nominees Pte Ltd	6,082,005	5.88
4	DBS Nominees Pte Ltd	5,559,850	5.37
5	OCBC Nominees Singapore Pte Ltd	2,347,000	2.27
6	Ng Chit Tong Peter	2,338,000	2.26
7	Morgan Stanley Asia (S'pore)	1,800,000	1.74
8	Stockwell Investments Pte Ltd	1,294,074	1.25
9	Lee Soon Kie	460,000	0.44
10	Tan Soon Lin	445,000	0.43
11	Lua Cheng Eng	410,000	0.40
12	Tan Li Cheng Nee Lee	408,000	0.39
13	Lai Weng Kay	370,000	0.36
14	Kim Eng Securities Pte. Ltd.	368,000	0.36
15	Kwah Thiam Hock	352,000	0.34
16	Citibank Nominees Singapore Pte Ltd	312,000	0.30
17	Libra Enterprises and Engineering Pte Ltd	300,000	0.29
18	Teo Yew Hock	300,000	0.29
19	Ho Seong Peng	250,000	0.24
20	Goh Chai Lam or Teng Siew Yeok	230,000	0.22
		77,836,879	75.21

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 8 March 2007, approximately 51.08% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 8 March 2007

Substantial Shareholder	No. of Shares Direct Interest	Deemed Interest	Total Interest	%
Phillip Assets Pte. Ltd.	41,846,872[(1)]	-	41,846,872	40.43
Lim Hua Min	-	41,846,872[(2)]	41,846,872	40.43
Temasek Holdings (Private) Limited	-	7,100,078[(3)]	7,100,078	6.86
SMRT Road Holdings Ltd	7,100,078	-	7,100,078	6.86

Notes:

(1) Deposited with the Depository Agent, Phillip Securities Pte. Ltd.

(2) Mr Lim Hua Min is deemed to have an interest in the 41,846,872 shares held by Phillip Assets Pte. Ltd.

(3) Temasek Holdings (Private) Limited is deemed to have an interest in the 7,100,078 shares held by SMRT Road Holdings Ltd.

main subsidiaries
associated and affiliated companies

SUBSIDIARIES

ECICS Limited
7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel : (65) 6337 4779
Fax : (65) 6338 9267

IFS Capital Assets Private Limited
IFS Ventures Private Limited
IFS Ventures 2 Limited
7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel : (65) 6270 5555
Fax : (65) 6339 9527

IFS Capital (Malaysia) Sdn. Bhd.
B-17-7, 17 Floor, Block B
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Tel : (603) 2161 2080/3080/4080
Fax : (603) 2161 9090

PT. International Factors Indonesia
Wisma Standard Chartered Bank
23B Floor
Jl. Jend Sudirman Kav. 33A
Jakarta 10220
Indonesia
Tel : (6221) 5790 1090
Fax : (6221) 5790 1080

ASSOCIATES

IFS Capital (Thailand) Limited
(formerly known as Ayudhya International Factors Co., Ltd)
IFS Capital Holdings (Thailand) Limited
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Tungmahamek Sathorn
Bangkok 10120
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AFFILIATES

Advance Finance Public Company Limited
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All Seasons Place
87/2 Wireless Road
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Bangkok 10330
Thailand
Tel : (662) 626 2300
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Phillip Ventures Enterprise Fund Ltd
250 North Bridge Road #06-00
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Singapore 179101
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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of IFS Capital Limited will be held in the IFS Boardroom at 7 Temasek Boulevard #10-01 Suntec Tower One Singapore 038987 on Thursday 26 April 2007 at 10.30 a.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2006 together with the Auditors' Report thereon. (Resolution 1)

2. To approve the payment of a first and final ordinary cash dividend of 5.0 cents per share less income tax of 18% for the financial year ended 31 December 2006. (2005: 5.0 cents) (Resolution 2)

3. To approve the payment of a bonus cash dividend of 12.5 cents per share less income tax of 18% for the financial year ended 31 December 2006. (Resolution 3)

4. To approve the Directors' fees of S$209,160 (2005: S$208,998) for the financial year ended 31 December 2006. (Resolution 4)

5. To re-elect the following Directors retiring in accordance with Article 91 of the Company's Articles of Association:-
   (i) Mr Lim Hua Min (Resolution 5)
   (ii) Mr Kwah Thiam Hock (Resolution 6)

6. To re-appoint Messrs KPMG as Auditors and authorise the Directors to fix their remuneration. (Resolution 7)

SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolutions 8 and 9 which will be proposed as Ordinary Resolutions:-

7. That authority be and is hereby given to the Directors to:-

   (a) (i) issue shares in the capital of the Company ("shares") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:-

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the issued shares in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per centum (20%) of the issued shares in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:-

    (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

    (ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. (Resolution 8)

8. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the "IFS (2000) Share Option Scheme" approved by the Company on 24 May 2000 (the "2000 Scheme") and to offer and grant awards in accordance with the provisions of the "IFS Performance Share Plan" approved by the Company on 24 May 2000 (the "Performance Share Plan") and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the 2000 Scheme and the vesting of awards granted or to be granted under the Performance Share Plan, provided that the aggregate number of shares to be issued pursuant to the 2000 Scheme and the Performance Share Plan shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company for the time being. (Resolution 9)

OTHER BUSINESS

9. To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board

Chionh Yi Chian
Company Secretary
IFS Capital Limited
Singapore, 2 April 2007

Note:
A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for the Annual General Meeting.

1. Notes to Ordinary Resolution 5:

   Mr Lim Hua Min will, upon re-election as a Director of the Company, continue to serve as a Member of the Executive Resource and Compensation Committee.

2. Notes to Ordinary Resolution 8:

   Resolution 8 is to empower the Directors from the date of this Meeting until the conclusion of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, to issue shares in the Company and to make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including the creation and issue of warrants, debentures or other instruments convertible into shares, and to issue shares in pursuance of such Instruments. The aggregate number of shares to be issued pursuant to such authority including shares to be issued in pursuance of Instruments made or granted pursuant thereto, shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company.

   For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares is based on the number of issued shares in the capital of the Company at the time this Resolution No. 8 is passed after adjusting for (a) new shares arising upon the conversion or exercise of convertible securities or share options or the vesting of share awards outstanding or subsisting at the time when this Resolution No. 8 is passed; and (b) any subsequent consolidation or subdivision of shares.

3. Notes to Ordinary Resolution 9:

   The effect of this Resolution is to empower the Directors of the Company to offer and grant options and/or awards under the "IFS (2000) Share Option Scheme" (the "2000 Scheme") and the "IFS Performance Share Plan" (the "Performance Share Plan") respectively and to allot and issue shares in the capital of the Company on the exercise of options granted under the 2000 Scheme and/or the vesting of awards granted under the Performance Share Plan, provided that the aggregate number of shares to be issued pursuant to the 2000 Scheme and the Performance Share Plan shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company for the time being.

proxy form

IFS CAPITAL LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198700827C

IMPORTANT
1. For investors who have used their CPF monies to buy shares in the capital of IFS Capital Limited, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Twentieth (20th) Annual General Meeting

I/We____ (Name) ______________________(NRIC/Passport No.)

of____(Address)

being a member/members of IFS Capital Limited (the "Company"), hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Twentieth (20th) Annual General Meeting of the Company to be held in the IFS Boardroom at 7 Temasek Boulevard #10-01, Suntec Tower One, Singapore 038987, on Thursday 26 April 2007 at 10.30 a.m. and at any adjournment thereof. The proxy is to vote for or against the Resolutions before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

	Resolutions	For	Against
Ordinary Business			
1	Adoption of Directors' Report, Audited Accounts and Auditors' Report		
2	Payment of a First and Final Ordinary Cash Dividend of 5.0 cents per share less tax		
3	Payment of a Bonus Cash Dividend of 12.5 cents per share less tax		
4	Approval of Directors' Fees amounting to S$209,160		
5	Re-election of Director: Mr Lim Hua Min		
6	Re-election of Director: Mr Kwah Thiam Hock		
7	Re-appointment of KPMG as Auditors		
Special Business			
8	Ordinary Resolution: Authorise Directors to Issue Shares and Instruments Convertible into Shares		
9	Ordinary Resolution: Authorise Directors to Grant Options and Awards and to Issue Shares Pursuant to the IFS (2000) Share Option Scheme and the IFS Performance Share Plan		

[Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast "for" or "against" the Resolutions as set out in the Notice of Annual General Meeting.]

Dated this ________ day of ____________________ 2007

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1 Please insert the total number of ordinary shares in the capital of the Company ("Shares") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2 A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

4 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

5 The instrument appointing a proxy or proxies, duly completed, must be deposited at the registered office of the Company at 7 Temasek Boulevard #10-01 Suntec Tower One Singapore 038987 (Attention : The Company Secretary) not less than 48 hours before the time appointed for the Annual General Meeting.

6 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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AFFIX POSTAGE HERE

THE COMPANY SECRETARY
IFS CAPITAL LIMITED

7 TEMASEK BOULEVARD
#10-01 SUNTEC TOWER ONE
SINGAPORE 038987

2nd fold here

Fold along this line and glue overleaf